The Incorporated Accountants' Journal

The Official Organ of
The Society of Incorporated Accountants and Auditors

THE INCORPORATED ACCOUNTANTS' JOURNAL *is published monthly, on the first day of each month, at an Annual Subscription of* 12s. 6d., *which includes postage to all parts of the world. The price of a single copy is* 1s. 3d., *postage extra.*

Communications respecting the general business of the paper to be addressed to the Secretary of the Society of Incorporated Accountants and Auditors, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2. Cheques and postal orders should be made payable to the Society, and crossed "Bank of England."

Letters for the Editors to be forwarded to them, care of the Secretary, as above. Correspondence, copies of reports and accounts, &c., will be welcomed from the profession.

Vol. XLIV — DECEMBER, 1932 — No. 3

Contents.

	PAGE
Professional Notes	63
Sur-Tax on Limited Companies (Article)	66
Revocation of Acceptance in Contracts (Article)	67
Society of Incorporated Accountants and Auditors:—	
Council Meeting	69
Membership	88
Presentation to Mr. A. A. Garrett	69
Bankruptcy Rules (England)	73
Some Monetary Problems: Lecture by Mr. H. E. Davis, Incorporated Accountant	74
Incorporated Accountants' Society of London and District	79
District Society of Sheffield: Annual Dinner	80
Encounters with Lions	81
Railway Accounts and the Double Account System: Lecture by Mr. Percy H. Walker, Incorporated Accountant	81
Obituary	87
Reviews	88
Changes and Removals	89
Newcastle-upon-Tyne and District Society: Annual Dinner	89
Claim for Accountants' Charges	91
Chartered Institute of Secretaries: Dinner and Annual Meeting	91
District Society of North Lancashire: Annual Dinner	93
Incorporated Accountants as Mayors	94
Business Reply Service and Sample Post	95
The "Statist" Banking Number	95
District Societies of Incorporated Accountants	95
City of London College	97
Personal	98
Questions in Parliament	98
Committee on Local Expenditure (Scotland)	98
Scottish Notes	99
Legal Notes	100

Professional Notes.

AT Incorporated Accountants' Hall on Thursday, November 17th, a very pleasing ceremony took place when Mr. A. A. Garrett, the Secretary of the Society of Incorporated Accountants and Auditors since the year 1919, was presented with his portrait in oils, painted by Mr. John A. Berrie. The presentation was made by Mr. E. Cassleton Elliott, President of the Society, on behalf of the Branches and District Societies throughout Great Britain and Ireland, all of which contributed to the presentation. Mr. Thomas Keens, President of the London and District Society, presided over a large gathering, which included a number of ladies. At the request of the Chairman of the meeting and the President of the Society, Sir James Martin, the first Secretary of the Society, in a short speech paid a personal tribute to Mr. Garrett, who responded in a speech which is fully reported in our columns. Mr. G. S. Pitt, Chairman of the Hall Committee, accepted the portrait for Incorporated Accountants' Hall. A photograph of the portrait appears as a special supplement to this issue.

In a press interview on the subject of "Education," Sir Josiah Stamp (Hon. Member of the Society) is reported to have said, "I would divide young people, for purposes of education, into three classes. Those who are dunces at their books should leave school early and gain practical experience. Those with a particular bent should continue in a specialised form of education. Those with outstanding scholastic ability should devote themselves to the pursuit of knowledge for its own sake."

In reply to a question in the House of Commons by Sir J. Wardlaw-Milne, the Parliamentary Secretary to the Board of Education stated that the number of children over the age of five on the registers of public elementary schools was, approximately, 5,350,000 in 1925 and 5,362,000 in 1930. The number is estimated to increase to 5,428,000 next year. A decrease will begin in 1934 and the corresponding estimate is, approximately, 5,175,000 in 1935, falling by degrees to, approximately, 4,680,000 in 1940.

In August last we referred to a judgment of Mr. Justice Eve (*Cousins* v. *Sun Life Assurance Society*) to the effect that where a husband took out a policy on his own life for the benefit of his wife under the provisions of the Married Women's Property Act, 1882, and his wife died in his lifetime, he was entitled to surrender the policy and retain the proceeds. This decision has now been reversed by the Court of Appeal. The Master of the Rolls in giving judgment, said that on the plain terms of the policy the wife had a vested interest so that on her death before her husband the policy moneys

would become payable to her executors. The trust was not ended by her death, and in those circumstances the terms of sect. 11 of the Married Women's Property Act, 1882, negatived any interest passing to the husband. In a case where the wife was a *persona designata* she took a vested interest which remained unperformed, notwithstanding her death before her husband.

An interesting point as to the meaning of the word "sickness," in relation to a claim for wages during incapacity for work through an accident, came before the Court of Appeal last month in the case of *Maloney* v. *St. Helens Industrial Co-operative Society, Limited.* Under the terms of the agreement wages were to be paid during periods of sickness where absence of duty was properly vouched for by medical evidence. The County Court Judge, before whom the case came in the first instance, gave judgment in favour of the defendant company, as he considered that "sickness" described a condition due to illness from disease or natural causes, but this was reversed by the Divisional Court, who decided that, under the agreement, payment of wages was due in respect of a period when a man was incapacitated by an accident arising out of and in the course of his employment. This judgment was appealed against, and the decision now given by the Court of Appeal upholds that of the Divisional Court.

The Master of the Rolls said there were three recognised meanings to the word sickness. The first was that usually associated with sea-sickness, the second incapacity from disease, and the third that which contrasted sickness with health. The ordinary common use of the word "sickness" in the English language was to contrast it as a body in perfect health with a body in disabled health from some cause or other, whether from disease or accident. He was further impressed by the fact that since 1924 there had been a phrase in use which was well recognised by workmen and employers in connection with State Insurance, namely "sickness benefit," which clearly covered benefit paid in consequence of both disease and bodily and mental disablement. He had therefore come to the conclusion that the word "sickness" as used in the agreement in question must refer to any circumstances which prevented the workman from carrying out his work, and therefore included incapacity due to accident.

In an article in our October issue on the subject of "Surplus Assets," we referred to the case of *William Metcalfe & Son, Limited.* This case has now come before the Court of Appeal, and the judgment of the lower Court has been affirmed. The company's Articles provided that the preference shares were to confer a right to a fixed cumulative preferential dividend and a right in winding up to payment of capital in priority to all other shares.

The Master of the Rolls, in delivering judgment, said that these provisions in the Articles did not afford much assistance in regard to a matter which was later in date to the appropriation of dividend and the return of capital. The distribution of the surplus, he said, had to be approached on the basis that preference and ordinary shareholders alike had become partners, and if there was a surplus it must be distributed on the basis of equality, and the preference shareholders could not be excluded. Lord Justice Romer, in concurring, said he saw no reason why preference shares should not rank *pari passu* with ordinary shares in respect to a matter on which the Articles were silent. It did not follow that because the preference shareholders were entitled to nothing more than a fixed dividend they were entitled only to the preference as regards capital which was expressly given to them by the Articles.

The Chancellor of the Exchequer was asked a question last month regarding the granting of relief under sect. 4 of the Income Tax Act, 1918, where a trading loss had taken place. It was pointed out that since August 17th, 1932, the Board of Inland Revenue, in granting relief under that section, no longer allowed annual interest and charges as an addition to trading losses, and was asked whether he would consider reverting to the former procedure which was in operation for several years. Mr. Chamberlain replied that he feared it would not be possible to adopt this suggestion, but the Board of Inland Revenue was investigating the matter, and he hoped to be able to make a further communication.

Annual interest payable in relation to the carrying on of a business is certainly an expense of the business, and the only logical reason for its not being allowed as a charge for Income Tax purposes is that the person or company paying the interest is entitled to recover tax from the payee. In the case of a loss a separate assessment is made in respect of such interest on the person or company making the payment, and therefore it seems only reasonable that it should then be allowed as an expense of the business.

A test case in relation to Stamp Duty was decided by the Court of Appeal last month in *Hennel* v. *Commissioners of Inland Revenue*. By a Deed of Covenant the plaintiff covenanted to pay a monthly sum on the first day of every calendar month during the joint lives of two persons, and it was claimed that this was not an annuity but a periodical payment, and therefore not liable to the same amount of stamp duty. The Master of the Rolls, in giving judgment, said that the Stamp Act, 1891, was not easy to construe, but it was an old rule of Court that where, in a charging Act, the meaning of a charge was in doubt, it ought to be construed in favour of the subject. The Court had to differentiate between an annual payment—although it might actually be paid by appropriate sums half-yearly, quarterly, or at some other interval—and a periodical payment in connection with which the words "annual" or "annuity" were nowhere used. It was accordingly decided that the payment in question was not an annuity.

A South African case of some importance in relation to Income Tax arose recently in connection with the assessments of Sir Abe Bailey, who claimed that certain dividends received by him in the liquidation of two companies were not liable to Income Tax. No assessments were made in respect of these amounts in the first instance, but at a later date the Commissioners raised additional assessments for the years 1929 and 1930. The taxpayer objected on the following grounds :—

(1) That an assessment had already been made for those years, and that the taxpayer was therefore not liable to any additional taxation.

(2) That under the decision in *Commissioners of Inland Revenue* v. *Burrell* dividends in a liquidation were exempt from Income Tax.

The Income Tax Special Court decided against the taxpayer, and a case was stated for the Transvaal Division of the Supreme Court, who held :—

(1) That notwithstanding any previous omission to raise an assessment the Government had power under the provisions of sect. 45 (1) of the Taxing Act to levy taxation subsequently for any amount to which it was entitled.

(2) That it appeared from the evidence that the taxpayer was a financier and dealer in shares, and, as such, dividends received by him in the liquidation of a company were taxable.

(3) That in this case the facts were entirely different from those in *Commissioners of Inland Revenue* v. *Burrell*, which did not therefore apply.

It is anticipated that there will be an appeal.

The Income Tax Payers' Society has submitted a statement to the Committee appointed by the Government to inquire into the position of Co-operative Societies in relation to Income Tax. In this statement it is urged that exemption in favour of Co-operative Societies under Schedules C and D ought to be abolished—a conclusion which is arrived at on various grounds, amongst others that the Co-operative Societies are not now truly mutual concerns and that the exemption granted when conditions were completely different now works injustice to other taxpayers. It is pointed out that the volume of retail trade which grew from £85,000,000 in 1913 to £216,000,000 in 1930 must in the process have obliterated or replaced many small traders who were taxpayers, and that it is unjust that this process should be subsidised by the State.

The contention of the Tax Payers' Society is that the trading profits of Co-operative Societies should be calculated on ordinary Income Tax principles, and that the sums returned as discount to members and non-members should be allowed as an expense and the balance should be taxed subject to any other statutory allowances. The report adds, "It is a far cry from the early days of co-operative societies when groups of poor workmen joined together to provide themselves with the necessaries of life, to the present time when these societies have become huge trading concerns ready to deal, and dealing with, the whole world, and composed of members for the most part strangers to each other, and strangers probably to the conception of co-operation as an economic theory."

A statement has also been submitted to the Government Committee by the National Chamber of Trade which likewise advocates that the undistributed profits of co-operative societies should pay tax on the same basis as limited liability companies, and that in arriving at such taxable profits the same principles as to items non-chargeable against revenue should be strictly applied. As the present Income Tax law does not normally apply to the profits of bodies constituted on a mutual basis, it is advocated that there should be an amendment of the law by which complete taxation of these societies on equitable lines would be secured.

In January last the Court of Appeal gave judgment in the case of the *Westminster Bank*

Limited v. *Osler* to the effect that the conversion of War Bonds into long term securities which were of greater value than the Bonds was in substance a realisation of the Bonds at a profit, which profit was assessable to Income Tax. The case has now come before the House of Lords on an appeal by the Bank, and the decision of the Appeal Court has been confirmed.

Lord Buckmaster, in giving judgment, said the fact that the transformation took place by the process of exchange did not, in his opinion, avoid the conclusion that there had been what was described as a realisation of the security. The principle involved was, in his opinion, indistinguishable from that of the *Royal Insurance Company* v. *Stephen*, decided in 1928, where it was held that losses incurred by reason of the compulsory exchange of railway stocks under the Railways Act, 1921, were allowable deductions against the profits of the insurance company, which decision had not been questioned in the meantime.

In connection with the liquidation of the *South East Lancashire Insurance Company, Limited*, Mr. Justice Eve has decided that the deposit of £15,000 by the company with the Accountant-General, under the provisions of the Assurance Companies Act, 1909, as amended by the Road Traffic Act, 1930, is primarily applicable to the satisfaction of claims under motor vehicle insurance policies issued by the company, in priority to the claims of the general body of creditors. His Lordship said there could be no doubt that sect. 43 of the 1930 Act was framed with the intention of securing not only to those who were obliged to insure, but also to their victims, the primary right to payment out of the deposit.

The report of the Special Committee on Local Expenditure for England and Wales has just been issued. The Committee consider that with reasonable goodwill their recommendations, combined with the economies already effected by the Government and local authorities, if given effect to, would within three years reduce the local expenditure falling on rates and grants from £35 to £40 millions below the expenditure for 1929/30, and with really determined efforts the saving might be substantially higher. Amongst the proposals contained in the report are the application of modern methods of management in relation to roads and bridges including the introduction of costing systems, and as regards Public Health the introduction of costing systems in the sanitary services.

SUR-TAX ON LIMITED COMPANIES.

TAXATION is always unpopular and sur-tax on limited companies is no exception. While there is a good deal to be said for the principle of the tax, its practical operation leaves something to be desired. Although nominally assessed on the individual shareholders who are regarded as liable, the tax is nevertheless collected from the company, and no machinery is provided whereby the company can recover from the particular shareholders concerned. All that is enacted is that if a distribution is subsequently made of the profits of the company upon which sur-tax has been imposed, then such profits are not to be taxable a second time in the hands of the recipients. The result is that when a distribution of the company's profits takes place the whole of the shareholders suffer in proportion to their holdings, so that a shareholder who may not be liable to sur-tax at all loses dividend in proportion to the number of shares which he holds in the company. It has been suggested that the company might be held to be agents for collecting the tax from those shareholders in whose names the assessments have been made, but so far this has never been tested in the Courts.

The reason for imposing sur-tax on limited companies in the first instance was that the profits of private individuals, whether carrying on business alone or as partners in a firm, were liable to sur-tax whether such profits were withdrawn or not, provided their assessable income exceeded the £2,000 margin, and it was considered unfair that by converting a business into a limited company profits could be withdrawn from the company without attracting sur-tax. Various methods were found whereby this could be done, one being by the simple device of borrowing from the company on a legal obligation to repay with interest, or by the issue of debentures redeemable in a few years. Another method was to wind up the company and distribute the assets—a method which was supported by the case of *Commissioners of Inland Revenue* v. *Burrell*, in which it was held that as soon as a company went into liquidation profits as such ceased to exist and the surplus of assets over liabilities was capital.

Sect. 21 (1) of the 1922 Act, which is the charging section, provides that where any company to which that section applies has not within a reasonable time after the end of any year or other period distributed to its members a reasonable part of its income,

the company is to be liable to sur-tax. It was contended that, under this provision, profits made for the period immediately prior to liquidation could not be assessed because there had been no reasonable time for distributing them, but since the passing of the 1927 Finance Act this plea no longer avails, as sect. 31 (4) of that Act provides that sect. 21 of the 1922 Act shall apply as if the words " within a reasonable time " were omitted therefrom.

It has to be borne in mind that if the case goes against the company an assessment is made on the whole of the profits of the period in question, and not on what might be regarded as the " reasonable amount " which should have been distributed, the idea being that the difference between the reasonable amount and the whole profits is in the nature of a penalty on the company for trying to avoid taxation on its members. The Courts fully recognise the right of a person to avoid taxation if he can legally do so, but he must not evade taxation by contravening the law.

Sometimes a case may turn upon a legal technicality because no question of equity is permitted in interpreting the meaning of a taxing Statute. If the law is on the side of the company it will be successful whether the result be reasonable or not. On the other hand, if the case can be brought within the ambit of the taxing Acts the company will have to pay. It was stated, on behalf of the Government, in a debate in the House of Commons a little while ago that it was the duty of Parliament to spread their taxation net so wide that the subject could not get through it, but if the subject could find an opening large enough to permit the passage of his body—figuratively speaking—then he was quite entitled to squeeze through. This is the reason why ingenious methods are sometimes attempted for circumventing the provisions of the taxing Acts.

The imposition of Sur-tax on limited companies was first brought into operation by the Finance Act of 1922, but the provisions of that Act were found not to be sufficiently comprehensive, and important amendments were made by the Finance Act of 1927, with the result that any company which is controlled by not more than five persons and is one in which the public are not substantially interested is now liable to have the question raised. Although the assessments in the first instance are made by the Special Commissioners, every contested case has to be submitted to the Board of Referees, whose decision upon questions of fact is final. On a question of law there is a right of appeal to the Courts. In considering any particular case the Board of Referees have usually before them a statutory declaration made on behalf of the company and a counter statement by the Commissioners of Inland Revenue. Upon this the members of the Board have first to say whether, in their opinion, there is a *prima facie* case to proceed. If their answer is in the negative then the matter is at an end, but if they decide that there is a *prima facie* case the matter goes back to the Special Commissioners, who intimate to the company the amounts on which the respective shareholders are assessable. The company can then appeal to the Board of Referees, and there follows what is described as a re-hearing by that Board who sit as a judicial tribunal and hear evidence and arguments on both sides. As the Board of Referees consists mainly of business men, including very often a professional accountant, there is not much likelihood of decisions being arrived at which can be regarded as operating harshly on the company. Naturally, something depends on the ability displayed in stating the case on the company's behalf, but as a rule it will be found that the Inland Revenue do not proceed in these matters unless there are substantial grounds for doing so. Much useful information on these sur-tax cases will be found in a lecture by Mr. H. A. R. J. Wilson, F.S.A.A., which appeared in our November issue.

An unfortunate feature is the element of uncertainty. Although procedure has been provided for requiring the Inland Revenue to decide whether they propose to make a claim for sur-tax or not, companies are naturally slow to raise the question because the very fact of doing so indicates a doubt in the minds of their directors. The tendency therefore is to wait and do nothing, in the hope that no action will be taken. On the other hand, it may be very inconvenient to have an assessment made after a lapse of some years.

REVOCATION OF ACCEPTANCE IN CONTRACTS.

As regards the formation of a contract and its revocation, it is necessary to consider how contracts and their revocation may be brought about. An offer is made when, and not until, it is effectively communicated to the offeree. Acceptance is to an offer what a lighted match is to a train of gunpowder. It produces something which cannot be recalled or undone. But the powder may have lain till it has become damp,

or the man who laid the train may remove it before the match is applied. So an offer may lapse for want of acceptance, or be revoked before acceptance.

Unless the offeror expressly stipulates to the contrary, an offer made by post may be accepted by post. The post office is the ordinary mode of communication, and every person who gives anyone the right to communicate with him, gives the right to communicate in an ordinary manner. As soon as the letter of acceptance is delivered to the post office, the contract is made as complete and final and absolutely binding as if the acceptor had put his letter into the hands of a messenger sent by the offeror himself as his agent to deliver the offer and receive the acceptance (*Household Fire Insurance Company* v. *Grant* (1879)). But the letter must be properly addressed and stamped and put into the letter box; delivery to a postman is not posting. The frequent user by particular persons of postal or telegraphic communication for contractual purposes raises by implication a recognition of such method as being the medium agreed upon between them for entering into binding contracts. Normally, an offer made by telegram should be accepted by telegram. If, where no special mode of communication is indicated by the offeror, the acceptor departs from the normal method, he must ensure that the offeror receives the communication. Departure from a specified mode, however, entitles the offeror to revoke his offer even although he has received the communication.

When the parties are separated so as to render prompt personal communication impossible, the telegraph may be resorted to in the same circumstances as would justify communication through the post, and with the same result. The sender of a telegram is not bound by errors in transmission, for the telegraphists are only agents to transmit messages in the terms in which the sender delivers them, and are not agents to bind the sender as principal. If, therefore, there is a mistake in transmission there is no binding contract (*Henkel* v. *Pape* (1870)). Neither has a person executing an order on the strength of a telegram in which there is an error any remedy against the telegraphists, as they owe no duty to him but only to the sender of the telegram; and even as regards the sender they do not guarantee the accuracy of transmission, but merely undertake to employ reasonable care. A telephone conversation is a communication transmitted by telegraph, and therefore a telegram within the meaning of the Telegraph Acts. Contracts may therefore be made over the telephone; but they are necessarily subject to the uncertainties common to all oral contracts, and should invariably be confirmed in writing.

A revocation of an offer is of no effect until brought to the mind of the person to whom the offer was made, and therefore a revocation sent by post does not operate from the time of posting it. But if after the acceptance has been posted, but before it is delivered, the acceptor either by telegram or other means communicates to the offeror a revocation of the acceptance, is there a valid contract? Authorities seem to differ. Some say that such an acceptance would not be binding (*e.g.*, *Halsbury*); others that revocation of acceptance is impossible in England (*e.g.*, *Anson*); whilst others, more discreet, express no opinion (*e.g.*, *Chitty*). The only authoritative case on the point is a Scottish case. There a woman wrote to another to engage her as a servant, and shortly afterwards wrote cancelling the first letter. The letters were delivered simultaneously, and it was held that there was no complete contract.

In *Henthorn* v. *Fraser* (1892) Lord Justice Kay said that it might have still been doubtful whether posting a letter of acceptance in time would amount to an acceptance if the letter was never received. The ordinary rule was, that to constitute a contract there must be an offer, an acceptance, and a communication of that acceptance to the person making the offer. It might be that where the communication was in fact received, the contract would date back to the time of posting the acceptance, and at one time there was considerable reason for holding that if never received the posting might be treated as a nullity. But in *Household Fire Insurance Company* v. *Grant* (1879) the Court of Appeal held that the posting of a letter of allotment in answer to an application for shares constituted a binding contract to take the shares though the letter of allotment was not received.

The post office are only carriers between parties. They are agents to convey a communication, not to receive it. A communication is not made to the post office, but by their agency as carriers. The difference is between saying "Tell my agent A if you accept," and "Send your answer to me by A." In the former case A is to be the intelligent recipient of the acceptance; in the latter he is only to convey the communication to the person making the offer which he may do by a letter, knowing nothing of its contents. The post office are only agents in the latter sense.

A person withdrawing an acceptance of an offer is bound to bring his change of purpose to

the knowledge of the other contracting party, and if this is not done till after the letter of acceptance is posted it is then too late.

The true view therefore seems to be that the posting of the acceptance is clearly binding on the offeror—the acceptor having done all that is necessary on his part, and not being liable for the delays and mistakes of the post office—but is not in the same way binding on the acceptor until delivered, although when delivered the acceptance dates back to the time of posting.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council was held in Incorporated Accountants' Hall on November 17th, 1932, when there were present:—Mr. E. Cassleton Elliott (President) (London) in the chair, Mr. R. Wilson Bartlett (Vice-President) (Newport, Mon.), Mr. R. M. Branson (Leicester), Mr. H. J. Burgess, C.C. (London), Mr. D. E. Campbell (Wolverhampton), Mr. W. Allison Davies, O.B.E. (Preston), Mr. Frederick Holliday (Leeds), Mr. Walter Holman (London), Mr. Thomas Keens, D.L. (London and Luton), Mr. E. T. Kerr (Birmingham), Mr. E. Lund, M.B.E. (Carlisle), Sir James Martin, J.P. (London), Mr. Henry Morgan (London), Mr. C. Hewetson Nelson, J.P. (Liverpool), Mr. James Paterson (Greenock), Mr. W. Paynter (London), Mr. A. E. Piggott (Manchester), Mr. G. S. Pitt (London), Mr. J. Stewart Seggie (Edinburgh), Mr. Alan Standing (Liverpool), Mr. Percy Toothill (Sheffield), Mr. A. H. Walkey (Dublin), Mr. Frederic Walmsley, J.P. (Manchester), Mr. R. T. Warwick (West Hartlepool and London), Mr. E. W. C. Whittaker, J.P. (Southampton), Mr. Richard A. Witty (London), Mr. F. Woolley, J.P. (Southampton), Mr. J. R. W. Alexander, M.A., LL.B., (Standing Counsel), Mr. Ernest E. Edwards, B.A., LL.B. (Parliamentary Secretary), and Mr. A. A. Garrett, M.A., B.Sc. (Secretary).

Apologies for non-attendance were received from Mr. Arthur Collins (Liverpool and London), Mr. W. H. Payne (London), and Mr. A. E. Woodington (London).

The Council offered their congratulations to their colleague, Mr. Fred Woolley, J.P., upon his re-election as Mayor of Southampton for a second year of office.

It was also resolved that a communication be sent from the Council to Mr. C. F. Sanders, J.P., F.S.A.A., upon his election as Lord Mayor of Cardiff.

PARLIAMENTARY COMMITTEE.

A report was received that Mr. Thomas Keens had been elected Chairman of the Parliamentary Committee.

BRANCHES AND DISTRICT SOCIETIES.

A number of reports were received from Branches and District Societies, including arrangements for Lecture programmes.

Reports were received from Committees, and other important business was transacted.

PRESENTATION TO Mr. ALEXANDER A. GARRETT.

On November 17th an interesting gathering was held at Incorporated Accountants' Hall, the occasion being the presentation to Mr. A. A. Garrett, M.A., B.Sc., F.C.I.S., the Secretary of the Society, of his portrait in oils by Mr. John A. A. Berrie, R.C.A. The presentation was from the Branches and District Societies of Incorporated Accountants.

Mr. THOMAS KEENS, D.L., the Chairman of the Branches and District Societies Committee of the Council, presided, and there were present the President and Vice-President of the Society, members of the Council, representatives of Branches and District Societies, and a number of personal friends of Mr. Garrett. Among those present were the following:—Mr. E. Cassleton Elliott (President) and Mrs. E. Cassleton Elliott; Mr. R. Wilson Bartlett, J.P. (Newport) (Vice-President); Mr. F. Walmsley, J.P. (Manchester); Mr. and Mrs. G. Stanhope Pitt; Mr. C. Hewetson Nelson, J.P. (Liverpool); Mr. Thomas Keens, D.L., and Mrs. Keens, J.P.; Sir James and Lady Martin; Mr. Henry Morgan; Mr. R. M. Branson (Leicester); Mr. H. J. Burgess; Mr. D. E. Campbell (Wolverhampton); Mr. W. Allison Davies, O.B.E. (Preston); Mr. Frederick Holliday (Leeds); Mr. Walter Holman; Mr. E. T. Kerr (Birmingham); Mr. E. Lund, M.B.E. (Carlisle); Mr. James Paterson (Greenock); Mr. and Mrs. William Paynter; Mr. A. E. Piggott (Manchester); Mr. J. Stewart Seggie (Edinburgh); Mr. Alan Standing (Liverpool); Mr. Percy Toothill (Sheffield); Mr. A. H. Walkey (Dublin); Mr. and Mrs. R. T. Warwick; Mr. E. W. C. Whittaker, J.P. (Southampton); Mr. and Mrs. Richard A. Witty; Mr. Fred Woolley, J.P. (Southampton); Mr. John A. A. Berrie, R.C.A.; Sir Stephen Killik, J.P., and Mrs. Greenland; Mr. Halvor Piggott (Manchester); Mr. Alexander Hannah (Liverpool); Mr. Charles M. Dolby (Liverpool); Mr. W. Bertram Nelson (Liverpool); Mr. and Mrs. H. M. B. Ker (Bridgwater); Mr. and Mrs. S. I. Wallis (Nottingham); Mr. and Mrs. H. D. Myers (Keighley); Mr. and Mrs. Simpson Duthie (Carlisle); Mr. D. H. Bates (Stoke-on-Trent); Mr. and Mrs. J. Paterson Brodie (Stoke-on-Trent); Mr. D. V. Hayden (Norwich); Mr. Godfrey Craven (Manchester); Mr. F. M. Hawnt (Birmingham); Mr. R. C. L. Thomas, M.C., and Mrs. Thomas (Newport, Mon.); Mr. Clement C. Gatley, LL.D., D.C.L.; Mr. Roland Burrows, K.C., and Mrs. Burrows; Mr. and Mrs. E. T. Allen; Mr. W. H. H. Carpenter; Mr. H. E. Colesworthy; Mr. E. E. Edwards, B.A., LL.B., and Mrs. Edwards; Mr. J. R. W. Alexander, M.A., LL.B.; Captain Charles Norton, M.C.; Paymaster-Commander A. E. Loder, R.N.R.; Paymaster-Commander Beechey Rogers, R.N.; Hon. A. E. A. Napier, C.B.; The Rev. H. N. Asman, M.A., B.D. (Headmaster, Owen's School); Mr. and Mrs. James Rae; Mr. A. E. Watson, C.B.E.; Mrs. Alexander Garrett; Mr. and Mrs. A. W. Garrett; Mr. E. C. Martin, M.B.E., and Mrs. Martin; Mr. L. W. Garrett; Surgeon-Lieut.-Commander M. F. Hopson, R.N.; Mr. and Mrs. Joseph Bruce; Captain and Mrs. R. F. Leigh; Major Frank Garrett, M.C.; Mr. G. Roby Pridie; Mr. William Strachan; Mr. S. T. Morris; Mr. F. R. Witty; Mr. J. R. Maskell; Mr. W. A. Pearman; Mr. J. Scott-Moore; Mr. A. J. H. Shay; Mr. and Mrs. F. Martin Jenkins; Mr. and Mrs. Edward Baldry; Mr. C. B. Hewitt; Mr. Fred Hopson, J.P., and Mrs. Hopson; Mr. F. Claude Goodwin, B.A., and Mrs. Goodwin; Mr. and Mrs. R. F. Silvester; Mr. and Mrs. Alfred W. Jeffreys; Mr. J. F. Oakes; Mr. and Mrs. A. V. Huson; Miss Vera Snelling; Mr. J. R. Johnson (Birmingham); Mr. S. W. Oakley; Mr. and Mrs. A. S. Allen; Mr. and Mrs. Archibald Keens;

Mr. and Mrs. Garrett-Holden; Mr. A. C. Alcock; Mr. and Mrs. Robert Ashworth; Mr. and Mrs. J. B. Reeves; Mr. W. P. Fuller, O.B.E.; Mr. N. Keith Silver; Mr. C. C. Excell; Mr. Edward Wilshaw, J.P., and Mrs. Wilshaw; Mr. H. Vinall; Mr. and Mrs. J. C. Fay.

The CHAIRMAN said: It is with particular pleasure that I, on behalf of the District Societies Committee, welcome you here to-day, and also because of the object for which we are assembled. In the first place, it gives me very great pleasure indeed, because this presentation is an expression of the activity of our District Societies throughout the country. It is a matter of satisfaction that during the period that I was privileged to occupy the Presidential Chair the reorganisation and extension of the system of District Societies was carried into effect, and from all the evidence we have since received we have every reason to believe that the new organisation has been a tremendous success and is likely to be a greater success in the future. I should like to repeat what I have said on several occasions, that although it transpired that the finishing touches and the organisation of the scheme occurred during the period that I was privileged to be President, yet as a matter of fact the idea had taken shape before and a good deal of the credit is due to that very excellent Committee which did all the preliminary work under the chairmanship of my friend, Mr. F. Woolley. Incidentally, I should like to congratulate, as our Council has done this morning, our colleague Mr. Woolley on his re-election as Mayor of Southampton. (Applause.) I should also like to say that the idea of this presentation to-day did not emanate from the Council. It began with the District Societies themselves, and the credit for all the work which was done in the matter of organisation largely belongs to Mr. Bertram Nelson, the very energetic and virile Secretary of the Liverpool Society. The name of Nelson is very well known in the Society. (Hear, hear.) His uncle presides over the Finance Committee, and anybody who knows him knows very well that to get that broad fist of his relaxed when it comes to finance is no small job. He is like the Public Prosecutor, he wants you to prove your case three times over—(laughter)—and his nephew has all his qualities—at any rate he has displayed some of his qualities and some of his energy in the collection and expenditure of money. We have had very little to do with it.

The second reason why I am very glad to be in this position to-day is the object of the presentation, but I am going to leave the President of the Society to deal with that. I should, however, like to say this. This Society has been extraordinarily fortunate in its Secretaries. (Hear, hear.) For 33 years that position was held by Sir James Martin—(applause)—and the services he has rendered not only to this Society, but to the profession at large can never be adequately described and certainly never adequately rewarded. (Hear, hear.) For all these reasons it gives me very great pleasure to be here this afternoon, and I now desire to call upon the President. (Applause.)

Mr. E. CASSLETON ELLIOTT (President of the Society of Incorporated Accountants and Auditors), who was received with loud applause, said: I think there are two men in this room who are not quite happy and comfortable this afternoon—Mr. Garrett, on my left, and myself—(laughter)—Mr. Garrett because he will be hearing many things about himself which, possibly, he never knew or never imagined, and I because I always like to be a truthful man wherever possible. Now, so far as Mr. Garrett is concerned, I have had considerable difficulty in extracting particulars of his career. I have managed to secure the date of his birth, but that I do not propose to tell you; I am going to leave most of you to judge that and no doubt you will do so very shrewdly. But there is one date I can tell you definitely, and that is the date when he first joined the Executive of this Society; it was in 1909, twenty-three years ago. You may imagine that when I say twenty-three years ago, he must have come here straight from school. (Laughter.) All I can say is that he wears very well and that your assumption is not quite correct. He was educated at Owen's School, a school well known to us in the City of London, which has done well by its old boys and whose old boys have done well by it, and none more so than Mr. Alexander Adnett Garrett. (Hear, hear.) After he left school he went to the London School of Economics and there he continued to study; in fact, I might say he has continued to study all his life. He studied with some success at the School of Economics because he gained the degree of Bachelor of Science. He was a Gilbart Prizeman at King's College, London, and then some years afterwards went up to Christ's College, Cambridge. He was still Secretary, and I do not know how he managed to eat his dinners and keep his terms. (Laughter.) In conversation with him the other night, I said, "Some time ago you told me how you managed to do what was necessary at Cambridge, but I must have got the times wrong, because you were never absent from the Society." "Well," he said, "I caught a train at a quarter to eight and got here at nine o'clock, or I caught a train at nine o'clock and got back at a quarter to eight." (Laughter.) How he managed it I do not know. I do know, however, that he succeeded in taking the Economic Tripos, Parts 1 and 2, Class II, and was bracketed head of the list of those who sat for the examination in Part 1. (Applause.) Mr. Garrett has also become a Fellow of the Chartered Institute of Secretaries, and Mr. Isdell Carpenter, the Secretary of that Institute, has sent a special telegram saying how sorry he is that he cannot be here this afternoon to do honour to one of his Fellows. (Applause.)

Now, so far as the Society is concerned, Mr. Garrett was Assistant Secretary to Sir James Martin, and during that period he gained much wisdom and much knowledge, which he has used to great effect since, because in 1919, when Sir James relinquished that arduous post, Mr. Garrett was appointed Secretary in his place. From 1919 to 1932—a period of unprecedented growth in the activities and in the influence of the Society—we have had the benefit of his services as Secretary of this great Society. (Applause.)

Another of his activities, I always think, having travelled with him, is rather a curious one, because he is really fond of the sea, although I must confess the sea is not particularly fond of him. (Laughter.) However, he joined the Royal Naval Reserve and he served during the Great War on the East Coast of Africa, finishing up at Simonstown, where he was on the Admiral's Staff. I think he displayed great wisdom in finishing up at Simonstown, because it is near Cape Town and, as Sir James knows, Cape Town is a delightful spot to settle in, at any rate in the winter months. How long he managed to stay in Cape Town I am not quite sure, but I am certain that from the friends he gathered to himself while in South Africa he must have had a very pleasant and happy time. He continued his service in the Royal Naval Reserve, and after completing fourteen years was promoted to the rank of Paymaster-Commander and retired.

You see, therefore, that you have here a man of various qualifications—educational qualifications unquestionably,

but travelling and administrative qualifications also—and those, speaking briefly, are the qualifications which are needed for a Secretary. There are, however, other qualities required for the Secretary of the Society, and those qualities I think I am well able to tell you about, because it has been my privilege and pleasure to travel many thousands of miles with Mr. Garrett, and I claim to know him as I think nobody else does, with the exception of three, to whom I will refer later on. I remember on one occasion we had to travel to Germany. Mr. Garrett had gained a knowledge of German during the course of his career; the only German word I knew was "Verboten"—(laughter)—but we got on quite well together. I remember that we had taken our tickets for a certain definite route, but we found that by going by a faster train we could get to our destination much earlier. We selected a very comfortable carriage, packed our luggage away and were just about to start when two men came in and suggested that we were in the wrong train. They came with all their accoutrements. One talked to me and one to Mr. Garrett. I talked in English. I am glad to say that we continued in that carriage and the two men retired. Although Mr. Garrett's German was sufficient for some purposes, he did not quite understand what the man was telling him, but I was able to tell him it was "Verboten." (Laughter.)

On another occasion we went to Holland together. That was at the time of the International Congress in Amsterdam. We also travelled together to America. There we had a perfectly delightful and interesting time. He arranged things very satisfactorily for the whole of the Delegation, and we had nothing but praise for him. After you have travelled with a man for nearly six weeks, to be able to say you still like him is to pay a very high tribute to his ability. (Laughter.)

There are three things in Mr. Garrett's character which fit him particularly for the office he holds. The first one is a sincere and abiding love for the Society, which he will yield to no one. Ever since he joined the Society, in 1909, and became its Secretary in 1919, he has always had the aims and objects of the Society right in the front of his thoughts and actions. His constant thought is how he can do anything for the benefit of the Society (Hear, hear.) I am quite sure that in emphasising that I am only telling you who know him what you know already. Another quality which he has to a great degree is an infinite capacity for taking pains. When you realise that there are about 6,000 members you will agree that this is a quality which must be possessed by the Secretary in no small measure. He arranges the examinations, which pass off so smoothly and efficiently that we as a Council are never troubled with them. But his masterpiece in organisation was a dinner at the Guildhall last April, at which there were about 650 members and guests present. We had never had a dinner in the Guildhall before. Mr. Garrett found out exactly what the situation required, and the dinner was an unqualified success. All the guests invited to it expressed their sincere appreciation of the manner in which it had been arranged, and they wanted to know who had organised it. When we told them that it had been done by the Secretary of the Society, who had had no previous experience of the kind, they were amazed, and said, "Certainly you are to be congratulated." (Applause.)

The last quality I would like to refer to is the unobtrusive way Mr. Garrett has of doing things. I have only been President of the Society for a short time, but during my period of Vice-Presidency I found that Mr. Garrett arranged things very efficiently. You never knew where he was, but you always had the certain knowledge that if you wanted him you had only to turn right or left and there find him. He was invaluable to me as Vice-President of the Society; he thinks in advance of what is required and does all he can to assist. If you require any information looked up, all you have to do is to ask Mr. Garrett; he is in fact an encyclopœdia of business knowledge, and, as a man who is disinclined to look up things for himself, that is a quality which I very much appreciated. (Laughter.) I say, therefore, that in doing honour to Mr. Garrett, the District Societies are doing honour to a man who well deserves it, who has well earned it, and who will during the rest of his life do all he can for the Society which he loves and which he had adopted. (Applause.)

Before I close, I would like to say one word about three of the guests who are here. I have been delighted to have had the pleasure of shaking hands with Mr. and Mrs. Garrett—our Secretary's father and mother—this afternoon. It must be a great source of gratification to them to know that their son is spoken of and thought of so well by his fellows. So far as Mrs. Alexander Garrett is concerned, there was an occasion when some others and I began to wonder whether Mr. Garrett was wise altogether. We, however, knew that he was so when in 1928 he took unto himself a wife, a lady whom we all respect, and who has been of invaluable assistance to him in keeping him in health. It does not matter whether he is out at a dinner or not. When I say to him: "What about Mrs. Garrett?" "Oh," he says, "she does not mind." That is perfectly true, because I know her, having had the privilege of travelling to America with her as well. (Applause.)

Sir JAMES MARTIN: I know you are too good-natured to express any displeasure that there is to be a third speaker before this portrait is presented, but I felt when it was put to me that I would be rather churlish if I were to refuse on that ground to say a word or two about my friend, with whom I have been associated for the long period of 23 years, as you have heard. I am going to be rather daring—because you have not seen the portrait yet—and to congratulate our friend, the artist, Mr. John A. Berrie, on one of the most successful pictures that he has painted for this beautiful hall. He has depicted Mr. Garrett in academic costume, and I think it is most appropriate, because I am perfectly certain that when this portrait is exhibited downstairs, as I understand it is going to be, and the students come to look at it, they will have no hesitation in pouring forth their over-burdened souls upon our Secretary. Now I want to say only one or two words with regard to Mr. Garrett himself. You have heard what Mr. Keens has said and you have heard what our President (Mr. Cassleton Elliott) has said, but my estimate of Mr. Garrett, with my long knowledge of him, is that he is a man of the greatest character, and I believe—and I am sure you all believe—that character is the great thing we all desire, and we must have it if we are going to make any mark in this world. During all the years I have known Mr. Garrett I have never heard from him a malicious or a slighting remark with regard to any person whatever. This is a genuine and truthful testimony which, perhsps, cannot be made of a number of us, but in this case it is positively accurate (Applause.) I am very glad indeed that the District Societies, at the instance of my energetic friend, Mr. Bertram Nelson, took it into their minds to have this presentation made to Mr. Garrett. I think it is better that it should have come from them than from the Council, because it shows that his work is known and appreciated all over the country. (Hear, hear.) With these few observations I desire

once again to congratulate the donors and also Mr. Garrett upon the signal honour which is being done to him.

Mr. KEENS: Before calling on the President to make the presentation, may I read a cable which has just been received from Cape Town: "South African Western Branch send greetings to all gathered in Incorporated Accountants' Hall." (Applause.) So that evidently the name and fame of our Secretary has gone beyond our shores, and it is a delightful thing to find that South Africa desires to join in these proceedings.

Mr. E. CASSLETON ELLIOTT: It now gives me very great pleasure to present to Mr. Garrett this portrait, which has been painted by that eminent artist, Mr. John Berrie, to whom I would express the appreciation of the donors. I am very glad Sir James referred to it in the way he has done, because I can assure you that it is a wonderful piece of work. Mr. Garrett, I have much pleasure in presenting this portrait to you.

The portrait was then unveiled by Mr. Cassleton Elliott.

Mr. A. A. GARRETT, who was received with applause, said: Mr. Chairman, Mr. President, ladies and gentlemen; how can I adequately thank you for this magnificent presentation and for the generous tribute of the President and Sir James Martin and Mr. Keens? My task is at once a happy and formidable one, because I speak in the presence of those who know, though they may generously forget, the indiscretions and shortcomings which must be laid to my charge. Most gratefully I accept what the President has said, as a token of a long and honourable friendship and of a cordial relationship in my official support of him and the Vice-President, Mr. Wilson Bartlett. I do so with assurance, because, during our many travels, Mr. Cassleton Elliott has found out exactly what I am like at the pre-breakfast stage of the morning—which is ever the acid test of friendship and good temper. (Laughter.) It is a source of much pleasure to me that so old a friend as Mr. Cassleton Elliott should now occupy the Presidential Chair. His quick perception and practical mind will be of immense service at the present time.

This gift is from the Branches and District Societies, and it thus becomes a gift from the whole Society, because the enduring contribution Mr. Keens has made to the Society during his Presidency and since has been to co-ordinate those organisations for a common purpose and to vitalise them with a definite human interest. The project has met with unqualified success. (Hear, hear.) No longer do representatives of District Societies come to General Meetings to point out that grants are but an infinitesimal percentage of revenue; they now write letters of thanks. (Laughter.) But I know the Chairman of the Finance Committee, whom we are very glad to see here, will not mistake the import of such gratitude.

And Mr. Keens has not lacked adventure in developing his plan. Once we arrived in a certain city to attend a dinner; the hotel valet took a fancy to Mr. Keens' evening trousers, which could not be found. (Laughter.) Fearful of the prospective consequences of such a loss at a respectable evening function, I commissioned the hotel porter to visit establishments offering temporary sartorial accommodation. (Renewed laughter.) But the porter returned empty-handed and said: "Very sorry, sir, but all the evening suits are out for the Incorporated Accountants' Dinner." (Loud laughter.)

To-day I recall an indelible impression and confidently form another. I think of the time when, some twenty-three years ago, I met in his office a dignified and impressive figure. And now it is my good fortune to receive from my much-loved chief, Sir James Martin, his cordial goodwill and congratulations, reinforced as they are by the presence of Mr. Frederic Walmsley, the Senior Past-President, and of Mr. Hewetson Nelson, the next Senior Past-President. (Hear, hear.) Of the daily labours of Mr. Hewetson Nelson, as Chairman of the Frnance Committee, I have in some ways an exceptional knowledge.

The President kindly referred to my services with the Royal Naval Reserve. When, upon my return from that service, after the War, the Council appointed me Secretary I inherited from Sir James Martin a great tradition—and a heavy responsibility to maintain it. I could hardly expect to live up to that standard. But I rejoice at your assurance that at any rate I have not proved an unprofitable servant.

My first Presidents, with patriotic and professional zeal, did all they possibly could for those who had served with H.M. Forces. For those Presidents, there was much hard work and little glitter. For one year the Society enjoyed having Sir James Martin as President. His powers, constructive and critical, fearless and friendly, were impressively given to the work of the highest office in the Society. (Hear, hear.) The Presidency of Mr. Pitt was marked by the persuasion with which he stimulated the imagination of his colleagues, which eventually resulted in the Society securing this splendid hall. (Applause.) Mr. Keens had the honour of receiving H.R.H. The Duke of York at the formal opening, and he also headed the delegation of Incorporated Accountants to the United States. Mr. Henry Morgan, during his period of office, discharged with great courage a most onerous responsibility. His Presidency, happily, concluded with a brilliant function at the Guildhall and an equally successful fishing holiday: Mr. Morgan is different from most other fishermen I have met—he catches fish. (Laughter.)

These years have been marked by rapid changes in every department of commercial and economic activity. The Society has exhibited a remarkable degree of adaptation and progress in its policy and work. It is a powerful force in the accountancy profession all over the world and has exceeded the highest hopes of its founders.

I think, particularly, of those who have honoured me with this gift, the Presidents, Officers and members of the Branches and District Societies. To each and all of them I express my heartfelt thanks for their loyal co-operation, for their not infrequent reminders that the last word in secretarial wisdom is not centred at the Head Office, and, most of all, for their great kindness, which has expressed itself in this gift. I am greatly indebted to Mr. Bertram Nelson, Liverpool, for his initiative in regard to this presentation, and to him and to Mr. Edwards for arranging these proceedings.

My acknowledgments are due to the Society's Solicitor, Mr. Charles Norton, the Society's Surveyor, Mr. W. H. H. Carpenter, the Society's Examiners and the Secretaries of kindred professional bodies. And I would remember many friends in the Civil Service, who would prefer to be nameless, whose official reticence is matched by a charming personal confidence.

The presentation of a portrait is, perhaps, different from other presentations. It signifies the desire of the donors to perpetuate what the subject has attempted and—dare I hope?—accomplished. Any such achievements are absorbed and become indistinguishable, as they should be, in the corporate body of the whole Society. And I wish to share this honour with my immediate colleagues; Mr. Ernest Edwards, the Parliamentary Secretary,

particularly for his daily advice and unruffled temper, with Mr. Alexander for his bright and effective ideas, with Mr. Fay for his work for the London Students' Society and the Benevolent Fund, and with the other members of the Society's staff for their devotion and forbearance. I would like to mention the services of Chief Petty Officer Hanson, Royal Fleet Reserve, our Commissionaire, and Mr. and Mrs. Monk, the hall-keepers. Their unflagging interest in the maintenance of the Hall is a source of much satisfaction to all of us. (Hear, hear.)

To-day, in some sense, I become the exponent of Art and Accountancy. I fear I have already stressed accountancy too much. I would, therefore, immediately thank Mr. John Berrie, Royal Cambrian Academy, for the great trouble he has taken with the portrait and congratulate him on his work. Mr. Berrie happened to call on me about eighteen months ago; he had just completed one of the highest commissions that could ever fall to an artist. As befitted the occasion, Mr. Berrie was himself a picture of easy elegance. Three months ago I left myself entirely in his hands, but I made him promise that my portrait should be at least half as attractive as he himself was that day. (Laughter.) Mrs. Garrett tells me he has more than fulfilled his undertaking and, indeed, has introduced a commendable element of rejuvenation. (Hear, hear.) To produce the right kind of atmosphere, Mr. Berrie entertains his subjects with, shall I say, piquant disclosures concerning the distinguished who have received the attentions of his brush. Indeed, the President, after sitting for Mr. Berrie, confessed he had learned a great deal more about his predecessors, the Past-Presidents, than he knew before. I was even more fortunate in that respect than you, Mr. President, because my portrait was executed after yours. (Laughter.)

I thank Mr. Berrie for his work so happily represented in this portrait, and I wish him the best of luck.

Mr. Chairman, I appreciate your kindness in inviting many friends this afternoon and I also value their presence on this occasion. And there is one good friend I must name, Mrs. Garrett—(applause)—to whom you gave a cordial welcome a few years ago, and to-day you also do her great honour. This occasion, happily, does not mark any particular point or event, unless it be my happy expectation of many years of work for the Society, enriched by great opportunity and inspired by the affection you have shown me in the past and particularly to-day. (Loud applause.)

Mr. G. STANHOPE PITT (Chairman of the Hall Committee) said: I wish to associate myself with the very kind and eloquent words which have come from the Chairman, from the President and also from Sir James Martin. You know in France the very highest form of commendation is that a man has deserved well of France; I have no hesitation to-day in stating that Mr. Garrett has deserved well of the Society of Incorporated Accountants and Auditors. As Chairman of the Hall Committee I wish to say to him how very gratified the whole of the members of the Society would be if he would allow his portrait to be hung in Incorporated Accountants' Hall. I can assure him that we shall treasure it as one of our highest possessions. (Applause.)

Mr. GARRETT: Mr. Stanhope Pitt, it gives me much pleasure to accept the very kind suggestion you have made, particularly as this Hall will always be identified with the work and the imagination you brought to bear in regard to its acquisition and to its adaptation for the Society. I thank you very much.

Mr. A. E. PIGGOTT (Manchester): I understand that this brings our very happy and pleasant proceedings to a close, but there is one thing I am sure you will all wish to do, and that is to present to our Chairman a hearty vote of thanks for the way in which he has presided over this meeting to-day. I therefore beg to propose it.

Mr. ALEXANDER HANNAH (Liverpool): I have very much pleasure in seconding the vote of thanks to the Chairman. Mr. Keens' services to this Society have been enormous. Where its interests are concerned he never spares himself, and he is always ready to do a good deed.

The vote of thanks was carried with acclamation.

BANKRUPTCY RULES (ENGLAND).

The following relates to the Scale of Solicitors' Costs under the Bankruptcy Act, 1914:—

Bankruptcy Amendment (No. 1) Rules, 1932, dated September 29th, 1932, made pursuant to sect. 132 of the Bankruptcy Act, 1914.

1. The following paragraph shall be inserted in the Bankruptcy Rules, 1915, as paragraph (3) of Rule 103:—

"(3) The total in any Bill of Costs of the costs and charges (as distinct from payments) prescribed by this Rule and either set out in Chapters I to VI inclusive of Part II of the Appendix, or referred to in paragraph I of Chapter VII (General Regulations) of Part II of the Appendix (including all bills taxed pursuant to Rule 96) shall be increased, in respect of business done after the 30th day of April, 1918, as follows:—

(*a*) If done before the 1st day of January, 1920, by 20 per centum;

(*b*) If done after the 31st day of December, 1919, and before the 12th day of October, 1932, by 33⅓ per centum; and

(*c*) If done after the 11th day of October, 1932, by 25 per centum;

and such increase shall be allowed upon any taxation. Provided—

(*a*) That this paragraph shall not apply to bills carried in for taxation or delivered to the client sought to be charged therewith or to the party chargeable therewith, or to bills taxed and certified or allowed, before the 15th day of July, 1918;

(*b*) That in respect of bills so carried in or delivered or taxed and certified or allowed after the 31st day of December, 1919, but before the 1st day of April, 1920, items therein relating to business done between those dates shall for the purposes of this paragraph be deemed to relate to business done before the 1st day of January, 1920; and

(*c*) That this paragraph shall not affect the power of the Court to fix a sum to be paid in lieu of taxed costs under Rule 96 (1).

2. Rules 103A and 103B are hereby revoked.

3. These Rules may be cited as the Bankruptcy Amendment (No. 1) Rules, 1932, and shall come into operation on the 1st day of October, 1932, and the Bankruptcy Rules, 1915, as amended, shall have effect as further amended by these Rules.

Dated the 29th day of September, 1932.

Messrs. Shaw & Sons, of Fetter Lane, London, E.C., have published at the price of 2s., a Tablet Diary to be used on the desk for recording appointments. Each page contains the dates for one week and there is a thumb index at the bottom for each month in the year. The diary has also on the back cover calendars for four years, from 1932 to 1935 inclusive.

Some Monetary Problems.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London and District by

Mr. H. E. DAVIS,
INCORPORATED ACCOUNTANT.

The chair was occupied by Dr. W. H. COATES, LL.B., B.Sc.

Mr. DAVIS said: I must confess it is with a great deal of trepidation that I stand here to-night. The last time I was in this hall it was to hear our Chairman himself read what was at that time rightly claimed to be one of the outstanding papers on this subject: but I think he will agree with me that a problem like this can never have too many exponents; and notwithstanding, or perhaps because of, a certain amount of disagreement we may ultimately arrive at a reasonable common sense solution.

Economics is the study of the production of "wealth" and its return to the producer for the purpose of "consumption" (or distribution) through the means of "exchange." Exchange is a major part of the subject of economics, but it is quite impossible to study it entirely by itself.

There have been many methods adopted for the purpose of exchange, but all have had as their basis some standard commodity chosen to measure production and consumption on the same basis. Obviously enough, the more complex production becomes (and to some extent consumption) the more complex becomes the problem of exchange; and the world is at the moment engaged in trying to find a way out of troubles which are largely caused by the lack of balance in these three factors: for the one essential in the whole structure is balance.

Let us take as an illustration an ordinary delicate pair of scales. The one scale is, say, production, the other consumption, and the beam can be called exchange. You will realise that all three are continually in a state of suspension; there is no fixed point anywhere, except perhaps in the centre of the beam. If a heavy weight is put on the production scale, consumption will be pushed upwards: if it is too heavy a weight it will strain the beam, but if two or three tons are thrown on it it will break. I suggest that that is exactly what is wrong with the world at the present moment. Following the War the efficiency factor of the world's production is about eight times what it was before the war; that is to say, that with the increased number and increased efficiency of plants, the world can produce eight times more than previously. But, sadly enough, in doing so it did not require relatively so many people to do the work, and therefore consumption, being relatively less, did not weigh down production, and it is the problem of consumption that is possibly the most difficult to solve. At the same time, the world in a frenzy of excitement took, as it were, a very large hammer and banged the beam heavily—for every country not only inflated, but did so in different ratios, and this thoroughly upset the balance of exchange, both externally and internally. It is hard enough to get back equilibrium after any disturbance, but here the difficulty is intensified. But do not make the mistake of thinking that absolute consumption has decreased. There were a year or so ago 1¼ million more people employed in this country than there were before the war; but, unfortunately, we have grown in population by two or three extra millions in the meantime. The point of this illustration is to emphasise the necessity of a proper equilibrium between those two factors. And after all, everything in the Universe is a question of balance. The earth revolves round the sun and the solar system round other suns, so that the whole of space is governed by suspension; and you cannot in any human problem, whether it be great or small, get away from the same principle.

The last time I had the honour of addressing the Students' Society, I had a good deal to say about "rationalisation." That was five years ago. I have to-night been looking up what I then said, and I have nothing to withdraw. I still think that the control of production by rationalisation has gone very much too far, but it is at least an attempt to control production. It might be said it is also an attempt to control consumption but, whether it was meant to or not, rationalisation has resulted in increased unemployment in certain trades. I think, therefore, that we can claim that it has also upset consumption, although perhaps only temporarily.

The Unemployment Insurance scheme was probably the first attempt of modern statesmanship to control consumption in the mass, by the impounding of spending power in good times, and its release in bad times. Without going into politics, I think the originator of this scheme will go down in history as the first man to attempt a very difficult job.

Turning to "Exchange," we have been trying to control it for many years. The Bank Charter Act, 1844, was one attempt to do this.

From those few illustrations I want you to realise that all our modern political activity—and when I say political I mean the economic side of politics—must be directed to attempting the control of these three factors, so as to preserve their balance: although this is no new problem.

I would like to read to you an extract from the *Observer* of September 9th, 1832:—

"The publication of the evidence taken before the Committee on the Bank Charter has turned the attention of all classes to the question of the state of our currency, and the best method of arresting those fearful convulsions which, since the commencement of the revolutionary war, have at one time or another materially affected the property of every family in the kingdom. Notwithstanding all that may be said respecting the propriety of adhering to the system of 1819, we think the Committee, when it resumes its inquiries, will be compelled to direct its attention to the important question of retaining gold as the sole standard of value in the greatest commercial country in the world. The evidence of Mr. Rothschild and all who were examined on that point proves that as the nations of the Continent come to England for a supply of gold when the exigencies of their affairs render it necessary, no means can be devised which will enable us to keep up our supply of a gold currency so long as that demand continues. Under such circumstances we think it imperative for the Legislature to ascertain whether that mixed standard of gold and silver which had so many advocates in 1819 be not the best fitted for the monetary system of England."

If you add 100 years to that date and alter the names, it might have been yesterday.

Then there is a further extract which will also come home to many of us to-day:—

"The Custom House has been thrown into alarm by receiving news that the reduction of salaries, which was to have been prospective, would take place forthwith, upon a larger scale than had been contemplated. In some instances £100 a year had been lopped off salaries of £400."

Well, they say that history repeats itself!

Within twelve years of that date they passed the Bank Charter Act, which has lasted for nearly a century. Does it not seem probable that what has happened is that this "control" has really worn out, and what we now have to do is to pass a new form of Bank Charter Act to get money under control again?

During my after War service on the new form of Army Accounts, an enthusiastic accountant presented the War Office with a Cash Account containing an item, "By cash out of hand"; the War Office sent back a little note, "Please get it under control immediately." (Laughter.) I think that should be the instructions of Strube's "Little Man" to his leaders now—"Please get it under control at once." We have at present agitations for the control or nationalisation of the Bank of England and the Joint Stock Banks, and for the complete control of certain industries of national importance. We have the Russian experiment where they have tried to do without money at all, but have not succeeded. It all goes to prove that all of us are beginning to think, also evidenced by the prominence given to the subject in the daily Press; for when all the papers make such a fuss about it, we can be sure that the ordinary man in the street has already been cogitating on the matter. But I would like to suggest that this is no reason for a complete reversal of everything we have done before. After all, if you want to control a motor car with a very powerful engine you can do it by getting into reverse, but it is not wise to do that when you are travelling at 60 miles an hour. Similarly a complete reversal of any policy in a large organisation may be a fatal step, because there must be a waiting period while the new system begins to operate. Much as we may admire Russia's drive from some points of view we must all see that they will have to wait for a few years before getting their system working properly, although I would not like to say that they will not succeed in the end. But I claim that it is better to try and graft something on to a present working system which will repair it: and I suppose the whole of our next 50 years legislation will be attempts to govern production, consumption, and exchange so as to keep their anti-social factors under control.

English money in its modern sense is not gold and silver and notes. Gold and silver are part, but not the whole of it. If you have £100 to your credit in your pass book, I should not like to tell you that it is not money; if you have Government Stocks, or ordinary stocks and shares, or even if you have sundry debtors on a balance sheet, I should not like to tell you, nor you to have to tell your clients, that they are not money (that is that they are bad debts), and it is just as well to remember that the farther down the scale one goes with this type of money, the less direct control there is over it.

I have prepared a diagram in the form of a circle representing the whole of money; Section "G" of the circle represents gold, and Section "N" bank notes. The circle swells and contracts, and the swelling and contracting is controlled roughly by the amount of gold; because according to English law a "book £" may be turned into a bank note (a little question in mercantile law about legal tender, which you may remember): and while we were on the gold standard a note could be turned into gold at the Bank of England. It followed that you could turn a book £ into gold; therefore, this book £ equalled a certain amount of gold—in theory at any rate. Now, following the diagram a little further, an increase or decrease in the quantity of gold increases or decreases the quantity of notes, which, primarily, is directly reflected in the bank reserve; this latter is kept at a more or less constant ratio to the bank's liabilities, and thus the size of the reserve controls the credit created by the bank. This passing through to the other bank's reserves controls their credit creation also, since they, too, keep a more or less constant ratio of reserve to liabilities. The Bank of England implements its control through the Bank rate, which exercises a general control over all money rates.

It should be noted that these reserve ratios are controlled by two factors:—

(1) The probable demand for currency at any time from any bank's customers;

(2) The ratios required to keep public confidence.

And it seems obvious, therefore, that the total credit creation of the banks is controlled by these invisible factors: the distribution of the credit being more largely a matter of domestic bank policy. But it is no use insisting that the banks can create just as much credit as they like without any reference or check.

Internally the £ is purely a measure, and its own value is entirely measured by the commodities it will buy. If it will buy twice as much to-day as it did yesterday—that is to say, if prices go down—then the £ itself is worth twice as much. That is, the book £ reflects its own variations in value by the variations in general prices.

Externally, it is not the same. The £ itself is then a commodity and its value is expressed in terms of other currencies. For although the basis of external money is the buying and selling of commodities and services all over the world, in the money market only the resulting debits and credits are dealt in, and the resulting values of the £ are thus measured by the variations in the rate of exchange. This gives the basis of what is known as "purchasing parity," *i.e.*, the equivalent in goods which the £ will buy in relation to other currencies expressed in terms of those currencies. The Mint parity develops from that in this way: the purchasing parity of the £ was fixed in relation to a standard international measure—gold—for we fixed by law that our £ was worth so much gold: this coupled with a free market in gold (called being on the gold standard) regulated the total amount of our "money" by the ebb and flow of gold—so that our currency always tended to be worth that fixed amount of gold internally as well as externally: *devaluation*, of which you have heard, is only pegging the £ at a different level to gold by a further Act of Parliament. Thus, the real virtue of a Gold Standard is that it forces the purchasing parity or external value of our £ into coincidence with or revolving round our predetermined value as compared with other currencies; and also its internal value into similar coincidence.

The managed currency theory attempts to keep the general internal price level the same, and ignores the rates of exchange, whereas the Gold Standard theory strives to keep the rates of exchange level and lets the internal price level find its natural position or value from time to time in accordance with purchasing parity, only controlling it against unnatural movements.

The main theory which governs the value of money internally and externally is known as the "Quantity Theory of Money." I do not like the usual definitions given by the text books, but prefer the following:—

"When the Quantity ($q \times r$) of money increases relatively to the demand for it (that is the volume of transactions to be settled) there is inflation and prices tend to rise proportionately: where it decreases relatively there is deflation and prices tend to fall proportionately."

Now, one must not state which is the cause and which

effect. One may be cause at one moment and effect the next, and cause again the next moment. You cannot say that increases of money cause increases of prices, or that increases of prices cause increases of money. Both may be true. What you should say is that increases of money and increases of prices go together; although there is usually a lag or gap between the happening of the one and the happening of the other.

When this country went off the Gold Standard prices should have risen (as a matter of fact the price of bread has since gone up), but it is going to take time to work through, and probably by the time that prices are increased the actual increase in money will have been reversed and ultimately pull prices back again. You get a very big lag in the working of the two tendencies, and that is why the economist who prophesies may be unwise!

Mr. Norman Angell, before the War, said that no such war could happen because the financial structure of the world would break down. But we had a war—a long one—for he did not visualise the suspension of the Gold Standard or the printing of paper money—but he was right in that the financial structure of the world *has* broken down—after a period or the lag mentioned above.

I hope that so far I have made my points perfectly plain; The balance between production and consumption, maintained by exchange; the movements of the quantity of money, tracing back to gold: and also their effects on prices. A very common and misleading error is to treat the general internal price level as just one factor. If there is inflation in one part of total transactions and an equivalent deflation in another, there is a net general average result of nothing.

Let me give you an illustration. In 1919 or 1920 the big "Hire Purchase" boom began. Prices of houses were then almost at their highest level. I know families who by the time they had paid their instalments on their houses and cars had very little money left for boots and shoes. I am quite serious—good families. They bought on the hire purchase system when prices were high, and since then their income has fallen, but they still have to pay the same instalments. I may be wrong, but so far I cannot see anything that upsets the point I am making for while the general price level has not varied so much rents are still up and commodities are down, averaging out very largely, *i.e.*, we have got distorted inflation and deflation.

Now as this is a Students' Society, I would like to take a few possible examination questions dealing with inflation and deflation and try to discuss them briefly. First of all, during the War there was a great shortage of goods, and a tendency for commodity prices to rise. At the same time we lost a lot of our gold in paying for imports (as we could not export) and there was a tendency for the quantity of money (apart from Government requirements) to drop. Then, later, wages were very much inflated—and there was a demand for currency for that purpose: that ran a race with the shortage of goods to see which could get to the "high price" post first. By 1918, when the Government had borrowed a few thousand millions and printed a few hundred millions of notes, the inflation gamble had got well into its stride.

After the War we had a period when it was necessary to replace the goods which were destroyed in the War, and we had a little more inflation to keep us going until we got to the stage where production was extremely efficient, but, the War shortage satisfied, we had got to the saturation point about which we talk in economics—we could not consume the whole of our production. To stimulate consumption America developed an enormous Hire Purchase system—inflation since it was "created" credit: but there had to be a stop somewhere, since this was not inherently sound in its magnitude: and Nemesis commenced operations with a sudden fall in car sales in about 1929-30. We ourselves had not gone so deeply into this particular economic bog, but we have had our own troubles therefrom.

Government borrowings during the War were, and generally are, definitely of an inflationary tendency. They are definitely money—War Savings Certificates, War Loan, Treasury Bills, Way and Means are all money. I do not say that they are all necesarily inflation, but they have an inflationary tendency, as also Budget deficiencies, and failures to balance the Unemployment Fund, for which money has to be borrowed.

Now "rationalisation" again comes into the picture. One of its effects was to cause a tremendous increase of international securities. The G.E.C. issued shares in America, and other Corporations' and companies' shares, &c., were sold there. Share securities internationally were better than gold money, provided there was no crash in prices: and they actually have taken to a large extent the place of gold in settling the balance of indebtedness. They do not cost as much to send, they do not lose interest on the way, and they can be replaced if they are lost, which is rather more than one can say of gold. Hence a partial explanation of the boom on Wall Street. Wall Street started buying these securities; we, perhaps wisely, started selling. These securities became payment of a large proportion of the balance of indebtedness largely caused by the War. But even that cannot go on too long, because losing capital ultimately means losing income, and at the same time the interest is still owed, so that in the end the position is very much worse than before.

Then we get the question of the default in interest on foreign loans. I hope you will understand that I am not talking politics. If any of you believe in Protection, I will discuss with you for half-an-hour in favour of Free Trade, or, on the contrary, if you believe in Free Trade, in favour of Protection. (Laughter.) We are told we should not buy meat from the Argentine—that the balance of trade is against us. But 5 per cent. on £600 million (our investment in that country) is £30 million—the so-called adverse balance of trade; which, therefore, is only interest due taken in goods. At the same time we must remember that failure in interest and dividend payments (following the world slump) was partially responsible for last year's crisis, since, having no credit due to us, we had to finance those meat purchases otherwise, thus upsetting the exchanges. Therefore this question of making international loans is not entirely divorced from the necessity of ensuring interest coming back, because we rely upon it to buy our raw materials.

Then we come to War debt payments. I know I am treading on dangerous ground. America decided she wanted to be paid. If one might give a warning to America as a young nation, I believe it is true that nobody in the world has ever got back both capital and interest, nor ever will. We lent many countries money years ago, but I do not think we really want it back at this stage; we would like the interest, but not the capital, because it would affect the rates of exchange, and the purchasing power of our debtors too greatly. But America went further than that; she not only said she wanted the debt paid, but that she would not have it paid in goods. Seeing that she went on taking gold until there was no more to spare, how on earth were people either to pay her, or to buy her goods? I think America lost her chance to dominate the money market of the world in 1920. If instead of wanting capital and interest in gold she had said, "Pay

us the interest only in trade goods," I think it would have been a very sorry thing in the end for this country.

Then there has been the War Loan Conversion scheme. I suppose it has struck you all that this is the biggest inflationary movement of the last fourteen years. By reducing the interest to 3½ per cent. at the right time (proved by the capital value of the Loan remaining more or less unaltered) the prices of all other securities were correspondingly increased, adding many millions to the purchasing power of this country internally. Prices should therefore start to rise, and this, as has been discussed over and over again in speeches and papers, is essential to get trade going again.

I have already dealt with Hire Purchase schemes to some extent, but you must remember that hire purchase is possibly the most uncontrolled and, from some points of view, the most dangerous, and certainly the most insidious of the inflationary methods now at our disposal: there is no check on our total of hire purchase transactions.

Now we have still one other point to consider before I come back to generalities: the relation of gold to world troubles. I have said that gold itself is a moving commodity; although it is a standard of money, as a "commodity" it itself moves in terms of money. As gold gets scarce the mines are worked more intensively and new mines discovered, and if you reverse the process the worst mines give up working and further discoveries are not made, or at any rate worked.

But we have another problem to face which is holding the field at the moment very largely, and I would like to spend a few minutes on it to-night. I refer to the problem of silver. London's pre-war position as the world's banker was largely due to the fact that she was at the centre of the world's two greatest trade routes, and the fall in the price of silver (which began long before the War) attacked one of the main arteries; for silver countries number three-fifths of the world's population. When did this crisis start? I am not saying that the War did not increase it, but there was a crisis long before the War, and, in my opinion, it was partly the cause of the War. It started about the beginning of this century when the price of silver in terms of gold commenced to fall. That meant that London could sell less to the East; nor, therefore, could we buy. London's position as the world's banker was seriously assailed. People had lent money on current account to meet their obligations in the London money market, and London's balances (covered by the Bank of England Reserve) should have been largely used for purposes of trade. Still, London's credit stood high, due to our trading facilities and central position; her credit lasted longer than the traders' and so balances were still left with us, but they became "deposit" money. Our currency then began to be based not on our trade requirements but on our credit (which still, as explained, attracted balances here), because, going back to our first illustration, the amount of gold—or, better, the Bank Reserve—more or less decided the amount of money created here. Our gold holding also depended upon the rate of interest here, *i.e.*, the Bank Rate, which was utilised to support the rates of exchange. So it went on.

I remember somebody telling me when I was young that London was played out, and that this country was becoming less and less a manufacturing country and more and more a commission agent's paradise. We have come to the position that London as a money market is as much harassed by the fall in the price of silver as it was by the War. Any control of monetary policy, therefore, I think, cannot possibly leave out this question of silver. If three-fifths of the world cannot trade—well, we had better do something about it. And it might be remembered in this connection that England is not by nature necessarily a gold country. So many people think that gold is sacrosanct, although we must, in my opinion, have a standard in this world; managed currencies are all very well, but to avoid taxation all a Government Department needs is a printing machine: inflation (theoretically impossible), true—but hard to stop and harder still to undo. Thus, I think silver is the key to the whole position, and I think a few words on bimetallism should be useful, not necessarily because I want to persuade anybody, but because I hope someone will attack me afterwards, and then I shall know they think about it.

I think myself that the Ottawa Conference was entirely on the wrong lines. What is needed in that world are not further trade barriers, or even, perhaps, breaking barriers down. What is needed is a decent currency. If this country started "boot buttons" as a standard, I believe it would make it work—but other countries without the tradition and without the knowledge have got control of and do not know how to manage the gold, and the result of America's policy of sterilisation has been to force up the price of gold (and incidentally force down prices, thereby largely increasing the value of "Sundry Debtors" on her Balance Sheet). Therefore, the one essential is to force down the price of gold and raise the price of silver (which would follow). I would have liked the Conference at Ottawa to have gone for an Empire currency on these lines. "Silver used to be 3 to 1 of gold; make it 3 to 1 again. That will be the standard currency for the Empire." Of course, everybody would say, "But what about the Gold Standard countries? Prices will rise, and the position would be worse than before, as we should lose all our gold." The remedy for that is a 300 per cent. *ad valorem* tariff on all transactions with gold standard currencies resulting in a debt due by us. Most countries but America and France would follow our lead almost at once, to evade such a barrier—and I think even those two very soon, after their resultant isolation—and thus we should force down the price of gold and force up the price of silver, and general world prices also. This done, the metal money of the world would at last be sufficient for exchange transfer needs, while you will be able to trade with the East without any barriers at all, and every country that comes on to a sterling basis will be able to trade with us on similar lines. Incidentally, we should have reduced our debt to America by two-thirds—having reduced the price of gold by so much—without any possibility of being accused of default, since we should only be counteracting America's prior action in forcing up the price of gold against us.

I think I have made out a case for the control of currency, the control of production, and control of consumption, but I have limited myself largely to money or exchange. It seems to me that the four main things which require to be controlled in the next "Bank Charter Act" or its equivalent will be:—

(1) *The control of the use of securities as external money.* The reason for saying that is that although you can control, or rather check, and keep a record of the movement of gold, it is very difficult indeed to keep track of the movements of securities; and as I firmly believe that that was part of the trouble causing the present crisis, I think some definite scheme will have to be evolved for dealing with securities internationally. I do not quite know how it can be done in detail, but it was done in the War, and it is being done by a good many countries now. The only trouble is that not all countries have enough securities to deal with on the same lines.

(2) *The control of the Hire Purchase system*, which, I

think, is even more important. Something like this might do very well: Supposing the Infants' Relief Act, 1872, was followed, nobody would be allowed to contract under hire purchase for more than one-fourth or one-fifth (or some such figures) of his income at any time. Then any contracts over that figure should be absolutely void, and if a man committed perjury to get his contracts he should be put in gaol. This, of course, really only deals with goods for final consumption as opposed to capital assets. I have seen the result of this hire purchase system, especially to the poor. I am not in any way exaggerating it, but you can find small families in cottages with incomes of £2 per week, of which 17s. 6d. goes in rent, and perhaps £1 per month for a piano and 2s. 6d. a week for gramophone records, so that in the end they have not sufficient for necessities. It has also caused untold misery in America by being over done: I think America had got to the stage in which nearly a whole year's income was pledged in advance.

(3) *What should be the new metal standard, if any, and how should it be made effective?*

The case for a bimetallic currency is very much stronger than it was before the War. However much gold may be produced, I do not think that enough will be obtained to get sufficient metallic money for transfer purposes, and so bimetallism is, I contend, essential in order to get a sufficient weight of metal to enable free movement of it. After all, we now have to transfer it in larger and larger blocks, although I think there is relatively less gold in the world now than ever before. You can create credit instruments like cheques, but credit cannot ultimately be divorced from the quantity of metal on which it is founded.

(4) *The control of pure financial operations* in order that they shall not be out of balance with trade. We have stopped to some extent being a nation of traders and turned into financiers. If we have an international loan we could see that we sell goods for it and that we do not have to use securities or gold in order to make the credit good.

These seem to me to be the four fundamentally necessary points for control, from the exchange point of view, in our next currency revision.

Just go back for a moment to the question of hire purchase. I will venture a prophecy. This country will start being prosperous in 1935, which prosperity will be at its height in 1942-1950. This is a bold statement; it is made, of course, subject to there being no further war, and the reason I say that is because this country is, as it always has been, quietly and almost unknowingly saving itself. I think the hire purchase of houses through building societies since the War has run into a total of over £2,000,000,000—that is the sum that is to be paid for the houses in the end. When the instalments have no longer to be paid, the nation will have saved a quarter of the National Debt. From 16 to 20 years is the usual period for buying houses in this way, and people started buying in 1919—hence my dates. Thus the people who are now saving, and saving hard, to buy their houses will, when they are paid for, have the means to increase their standard of living (from the then surplus income no longer needed for saving). Then, as was the case in the middle of last century, we should hope for 50 years of unparalleled prosperity for this country. Then they had saved, they had some control of production (through their start over other countries) followed by the Bank Charter Act—about 100 years ago. There is no reason why a similar process should not happen again if we are wise.

The accountant should take an interest in this subject from two points of view. I started by talking about "balance." The accountant is supposed to know all about balancing and balance sheets, and he should be able from his special qualifications to lead in working out a proper and decent system for us to get back to equilibrium in our production, consumption and exchange.

Now, gentlemen, this has been, I am afraid, a rather disjointed lecture. I am not an expert, but I try to use common sense arguments to help other people to form their own views, and, if anything I have said induces you to ask questions I shall be very pleased, as it will show evidence of interest in this most important subject.

Discussion.

Mr. F. R. WITTY: The Lecturer has told us a good deal about inflation and deflation, but there is one word that I have heard used recently, "reflation," and I am not quite certain what is meant by it. I should be very glad if Mr. Davis could tell me something about it.

Mr. A. V. HUSSEY, Incorporated Accountant: The subject of economics is to me an intriguing one, but I do not seem to be able to find sufficient time to penetrate that black cloud known as trade depression. The subject has been represented to-night by three factors—production, consumption, and exchange. I would venture to suggest a fourth aspect, which I submit is nevertheless an important one, and our Lecturer did not mention it. I refer to "trust." Many of the difficulties of to-day are, to my mind, the result of narrow-mindedness, and if we taught ourselves to think not nationally but internationally, many of our difficult problems would, I think, at any rate be modified. If accountants were to read the views of other accountants in other countries, and the latter were to read the views of English Accountants, such things as the American publicity stunts and the difficulties of the man in the Far East in understanding our views of commercial life, would, I venture to suggest, be narrowed down in the period of a few years.

Mr. A. V. MARTIN: A good deal of attention has been given to production in the past, but I cannot help thinking that nowadays the proper thing to do would be to have regard to consumption in order to restore the equilibrium of which Mr. Davis has spoken. Would a reduction of salaries help in this matter? It seems to me it would not.

A STUDENT: The Lecturer mentioned something about rationalisation resulting from mechanisation. It would seem that, while mechanisation is increasing and consumption is retarded, stocks will increase and unemployment will also largely increase. We hear a great deal at the present time about unemployment, but we have always had unemployment, and we had it badly in the period prior to that to which the Lecturer has referred. We have never, however, had any statistics which enable us to ascertain what rate the unemployment of to-day bears to the unemployment of the period to which I allude. If Mr. Davis has any information on that point I should very much like to have it. Then there is another point—with regard to the recent conversion of War Loan from 5 per cent. to 3½ per cent. I think that these conversions cut both ways. They benefit the Government concerned and set free a certain amount of capital, but there is a great deal of hardship caused to investors—particularly small investors. Their incomes are reduced by about a third, and in many cases are brought near to the poverty line. It may be that they could with a portion of the capital buy an annuity, and in that way bring their incomes back to the old standard, but they may have some obligations in respect of children to whom they have to leave a certain amount at their decease. I was wondering whether something could be brought forward in that direction to force the Government in some way to ease the burden.

Mr. DAVIS: First of all with regard to reflation; it is a good word used largely, I think, by the *Daily Express*.

I presume what is meant by it is the re-tipping to level of the scale mentioned above. You regard the one scale as money and the other as the volume of transactions. If you get more money, down drops the scale, and as it comes up again to level there is reflation. But you must remember that, in Nature, no action is without reaction, and thus as soon as this level is reached the reverse action commences, and it is here that inflation begins. You cannot stop inflation and you cannot stop deflation, but you must try and keep them within bounds. If you have inflation you must have deflation as a natural reaction (or, if you like, reflation). The second question was with regard to "Trust." I think we have had too much "Trust" lately. I tried to make a point about that when I spoke about London being a financial centre. Those of you who listened to my lecture five years ago will know that I do not like the over-large organisation. I was rather severely taken to task for saying that, but we have since had the *Hatry* case and others, and I do not apologise. I think "trust" should be there, but "trust" is just as much a plant of delicate growth as is control of Exchange or Production. I look upon it rather as the centre of an isosceles triangle, and the size of that triangle really depends on the strength of the centre. Mr. Martin referred to the production and consumption equilibrium. I quite agree that that is what is wanted. As a matter of fact if every factory in England making boots works twelve hours a day, they could not turn out sufficient boots in one year to provide the inhabitants of Europe with one pair each in the year. The boots are wanted, but consumption is not organised to deal with them since one cannot have progress without differing standards of living in competition (even the Russian experiment has not attempted to abolish these). Where we have gone wrong in these latter days is that we have got a little faint-hearted, and we forget that Rome was not built in a day. *Festina Lente* is still the finest motto for us. What happens when you get a big organisation and increased production is that ultimately those producers who are most efficient and can pay higher rates of wages are alone sufficient to meet the demands of consumers. When you arrive at that stage, and other producers have gone under, you have the misery of unemployment. But the people who are still in work and are getting higher wages, actual or relative, have now more money to spend and they start increasing their standard of living. Accordingly there is more employment for those engaged in the production of luxuries. The wireless trade is a luxury and it is one of the few trades that are going strong to-day. But coming back to the question of production equilibrium, I am interested in a company, a very small company, which has recently got £3,000 worth of orders in about a week. The company required certain parts, and it went to the only firm who make them and they were told, "We are sorry, but we are not taking on any more men; you can't get your parts for six months, since you must wait your turn!" Somebody said that we wanted to be bold, but this is a poor example! I have been bold this evening in prophesying that we shall have prosperity in 1935. I am building on it myself, and there is no doubt that the world will right itself if it is given a chance. With regard to unemployment again, I told you that I considered that the Unemployment Insurance scheme was an attempt to control consumption in the mass, and that the originator of it would go down in history as a bold person. But here there is one thing I do not agree with, and that is not making a trade pay for its own unemployed workers. It you make a trade "conscious" in the sense that it has to look after its own people, I do not think unemployment insurance will be so difficult to manage. There will not be so much keenness to discharge employees in the trade; it will at least increase the consciousness of the producer and possibly solve many of the difficulties connected with reduction of hours and re-education, &c. I entirely agree that unless we get a bold policy we shall not get anywhere, and if I am allowed to be political for a moment I think that even the Socialist is a better man than the man who will not try to find any remedy, although the Socialist remedy is not necessarily the best. I mean by that that any plan is better than none. "A first rate plan carried out in a second rate manner is infinitely worse than a second rate plan carried out in a first rate manner," is as true as ever it was.

The CHAIRMAN: I think we are all very much indebted to the Lecturer for the very full way in which he has answered the questions. I do not propose to detain you at any length by comments of my own. I find myself in full agreement with Mr. Davis when he concentrates attention on this question of balance, but I think that question reaches out into a far wider sphere than the one with which he dealt. The whole question of our economic life to-day is built, as he says, upon exchange, and exchange, if it is to fulfil its function, must be as elastic and as free as possible. Only by the greatest measure of freedom and elasticity can we have that necessary element of balance, not only between production and consumption, not only between the volume of monetary media and the volume of goods produced, but also between the volume of the respective kinds of goods which enter into consumption, taking into account what Professor Robertson has called our "gluttableness" for different kinds of commodities. In this desire for elasticity one runs up against a number of elements of rigidity. The gold standard seeks for elasticity between different nations. We may assume that when there are disequilibria the working of the gold standard in its normal manner will operate to remove them through that function of elasticity. Industry and production, on the other hand, rest to a certain extent upon rigidity. People like to have permanence in their arrangements, long term contracts are made, and it is assumed in making them that there will be a good deal of the element of permanence so that they will work out as intended. We find the same element of rigidity in the remuneration of people, and also in interest on long term obligations running from two or three years up to 40 or 50 years. Such rigidity as that, of course, is naturally in opposition to the degree of elasticity that we want. At the same time in our banking system, under all the laws which exist in various parts of the world, we have elements of rigidity. One of the greatest problems, I think, that the world has to solve is how to reconcile these two great conflicting elements. Hitherto, in my opinion, insufficient attention has been paid to that matter. There are many other points as to which I should like to have followed or challenged the Lecturer, but at this late hour I shall not attempt to do so. You yourselves will retain in your minds what he has put before you, and I am sure you will examine it in the quiet of your own studies, and each of you will form his own conclusion. None the less, we are greatly indebted to Mr. Davis for bringing all these points before us and throwing out so many challenging statements. If those who come to speak to us merely contented themselves with reproducing what can be found in text books these gatherings would lose a great deal of the interest that they now possess.

On the motion of Sir STEPHEN KILLIK, seconded by Mr. BOYD, Mr. Davis was warmly thanked for his lecture, and a vote of thanks to the Chairman was carried unanimously.

Incorporated Accountants' Society of London and District.

Members are reminded that on Tuesday, December 6th, Professor T. E. Gregory, D.Sc., will lecture on "The Outlook for Sterling," at 6 p.m., at Incorporated Accountants' Hall. Mr. Richard A. Witty, President of the District Society, will preside. It is hoped that Mr. Leslie Hore-Belisha, M.P., Financial Secretary to the Treasury, will take part in the subsequent discussion. This is a lecture of unusual interest, and it is hoped that there will be a large attendance.

Incorporated Accountants' District Society of Sheffield.

ANNUAL DINNER.

The annual dinner of the Incorporated Accountants' District Society of Sheffield was held at the Royal Victoria Hotel, Sheffield, on November 25th. Mr. LESLIE LEWIS, the President, presided, and the guests included the Lord Mayor of Sheffield (Ald. Ernest Wilson), the President of the Society of Incorporated Accountants and Auditors (Mr. E. Cassleton Elliott), the President of the Sheffield Chamber of Commerce (Ald. Arthur Neal), the Registrar of the Sheffield County Court (Mr. Raymond Meeke), the President of the Sheffield Society of Chartered Accountants (Mr. W. A. Wheatcroft), the President of the Sheffield and District Incorporated Law Society (Mr. Henry Reed), Mr. A. A. Garrett (Secretary of the Society of Incorporated Accountants and Auditors), and officers of other District Societies and kindred societies.

Mr. RAYMOND MEEKE (Registrar Sheffield County Court) proposed the toast of the "City of Sheffield." He said that Sheffield was a commercial city and at the present time was encountering many difficulties. One of the few places in which trade seemed to be good was in his own department (the County Court), and this year again he regretted they were reaching records in the numbers of plaints and bankruptcies. There was one cheerful sign—it was that men in Court were now occasionally saying, "I am out of work, but I am starting next week," instead of merely "I am out of work." From this it looked as though things were beginning to turn a little, and he also heard of substantial orders being received by Sheffield firms. One of the difficulties in Sheffield to-day, he suggested, was that the city was incurring expenditure which it could not afford. There was the City Hall, the Abattoir, the Library, the Printing Department, the building of houses and other things, and he thought it was time that a halt was called. These things might be very good in their way, but if the city could not afford them it should do without them.

The LORD MAYOR OF SHEFFIELD (Alderman Ernest Wilson) responding, referred to the important part accountants played in the affairs of the city. The Corporation was really a big business concern with assets of £36,500,000, and loan debts amounting to £22,000,000. It had a turnover of six millions a year and employed 10,000 workpeople. From that it would seem that the city was prosperous. He did not altogether agree with Mr. Meeke, for he seemed to remember that only last month certain people had been promising to take a shilling off the rates if they returned to power. That reduction of a shilling could only be brought about by an era of economy and retrenchment in which the only capital expenditure to be authorised must be of a revenue-earning character. If that policy was adopted they would find that the pessimistic tone which some people adopted was a false one. He believed that better times were coming, and he had heard of one firm which was working full time for the first time in two years. It was true that buildings had been erected in the city in excess of present requirements but as soon as there was a return of good trade it would be found that those buildings were very useful and added greatly to the amenities of the city.

Alderman ARTHUR NEAL, President of the Sheffield Chamber of Commerce, proposed the toast of "The Society of Incorporated Accountants and Auditors," and referred to the friendly relationship now existing between the Society and the Institute of Chartered Accountants. He emphasised the important part accountants were playing in securing greater accuracy in accounts and greater publicity in the accounts of companies. Their Society had given particular attention to Company law and accounts, and they had always been to the forefront in suggesting the fullest possible disclosure in the accounts of public companies. No society had taken a more definite stand in this direction than the Society of Incorporated Accountants. It was important that the public should be able to rely on accounts and on certificates of accounts, especially in these days when methods of trade, commerce and accountancy were changing and new problems were arising. He emphasised particularly the necessity for throwing light upon the position of holding companies with subsidiary companies. The profession was not merely concerned with the discharge of its professional duties but was also concerned with enlightening the public with regard to these matters. There were people, added Alderman Neal, who were ill-informed and who thought that organisations of professional men existed only to safeguard their own interests. That was a common idea and he wished to deny it. Organisations such as theirs were out to protect the public interest, and the public interest could only adequately be protected by professions which were sufficiently remunerative to attract men of integrity. (Applause.)

Mr. E. CASSLETON ELLIOTT, President of the Society of Incorporated Accountants and Auditors, responded to the toast, and he also expressed gratification at the friendly feeling which existed between the Society and the Institute of Chartered Accountants. The Society, he added, had given much attention to the Companies Act, and some members felt that it should be amended, particularly in regard to holding companies and their relation to subsidiary companies. When the time came for action on the matter, the Society would complete the task it had set itself. Mr. Elliott's particular plea was that accountants should endeavour to find in what ways they could extend their usefulness to industry. To the man in the street the accountant went in when the year was finished, checked the accounts and produced a balance sheet. But that, of course, was after events had happened. He hoped they could be of service to industry by advising their clients in anticipating events and the course of business in regard to which plans must be made ahead. He suggested they should direct the attention of their clients to the advantages of budgeting for each year's operations. That meant that at the beginning of the year the turnover of the business, estimated on previous years, should be received and a decision taken as to the percentage which could be allowed for gross profit. Thus the percentage of net profit could be estimated and the balance between the estimated gross profit and net profit would be the amount to be spent in overhead expenses. He believed that after careful analysis of figures by accountants it was often possible to make reductions in overhead expenditure. He was well aware that many business people would say that this was no use and that accountants did not understand the difficulties. That might be partly true: still, he considered they should advise their clients to prepare a budget, and assuming the conservatively estimated turnover was realised steps would have been taken to ensure that the turnover yielded a profit. In this way they might perhaps effect amalgamations between firms of the same type. But it was not to be inferred that he was in favour of some of the rationalisation schemes which had been put into operation. In his view, if any business had, say, a turnover of half a million pounds per year, it ought to be making a profit. If it did not, then the position seemed ridiculous to an accountant and probably to the shareholders. If a business of that size could not make a profit there must be something wrong with the management, and the trouble

would be ascertained by a careful analysis of the figures by an accountant. He believed in constructive accountancy, and was much more interested in keeping a business alive and making it profitable than in acting as an undertaker.

Mr. A. B. GRIFFITHS, City Treasurer and Vice-President of the Sheffield Society of Incorporated Accountants, proposed the toast of "The Guests," and Mr. H. REED, President of the Sheffield and District Incorporated Law Society, responded. Mr. Reed remarked on the fact that this year the three most prominent positions in Sheffield were held by members of his profession. They were the Lord Mayor (Alderman Ernest Wilson), the Master Cutler (Colonel A. N. Lee), who had been admitted a solicitor although he did not now practise, and the President of the Chamber of Commerce (Alderman Arthur Neale). It was to the public interest that accountants and members of the Law Society should work together. They had passed through difficult times in Sheffield but "as Englishmen," he said "we never do better than when we have our backs to the wall, and if we stick to our guns we shall pull this old country through again."

Mr. W. A. WHEATCROFT, President of the Sheffield Society of Chartered Accountants, also responded.

Mr. PERCY TOOTHILL proposed the health of the President (Mr. Leslie Lewis) and of the Honorary Secretary (Mr. J. W. Richardson). He congratulated the Society on having secured the services of Mr. Leslie Lewis at such an early stage in his career, and called attention to the fact that Mr. Lewis had recently retired from the Presidency of the Sheffield Junior Chamber of Commerce.

Mr. LEWIS and Mr. RICHARDSON responded.

ENCOUNTERS WITH LIONS.

In June, 1927, we recorded an incident in which an articled clerk to an Incorporated Accountant in Kenya Colony encountered a troup of lions. The clerk, whose name at that time was not reported to us, was only eighteen years of age, and was riding to his employer's office on a motor-bicycle. On seeing the lions he hurriedly returned for a rifle, and came back and shot no less than four of them. The episode was vouched for by his employer, Mr. F. Hornby, F.S.A.A. We now learn that the clerk referred to was Mr. Mervyn Hugh Cowie, who has since qualified as an Incorporated Accountant.

Strangely enough, Mr. Cowie has recently had another experience of the same character, which is recorded in the following paragraph, which appeared in the *East African Standard* of September 24th last.

"CHARGED BY A LION.

"The Acting Game Warden desires the public to realise that some danger attaches to motorists impelled by curiosity to go in search of the pride of lions encountered by His Excellency the Governor last week on the Mbagathi Road.

"Mr. Mervyn Cowie was on his way home at about seven o'clock on Thursday evening, when he came across four lionesses and a lion right in the middle of the road. The male was very aggressive, and held up the car for a considerable time. The lion then went to one side, and, Mr. Cowie drove forward. When level with the lion, the animal, which had been furiously lashing its tail made a spring at the car, which it missed by inches. It followed the car for some fifty yards.

"It is suggested that this should be taken by Nairobi residents as a warning not to take any liberties with lions in that district."

Railway Accounts and the Double Account System.

A LECTURE delivered to the Swansea and South-West Wales Students' Society by

Mr. PERCY H. WALKER,
INCORPORATED ACCOUNTANT.

Mr. WALKER said: Every few years the examiners have a playful little habit of introducing a question on the double account system, and as there has not been one for the last year or so it must be nearly due for a revival. As I was fortunate enough to serve my articles under Mr. W. J. Bennett, the then Chief Accountant to the Taff Vale Railway, a gentleman to whom I shall always owe a deep debt of gratitude, I had for some seven or eight years practical experience of what railway accounts really mean and how they are built up, and I will try in the course of one short lecture to impart some of that experience to you. Before we go right into the subject matter proper of my paper, *i.e.*, Railway Accounts, I think it will be useful if we consider what we mean by the Double Account system, why it is adopted, and the various classes of undertaking to which it is applied.

The double account system first prescribed under the Regulation of Railways Act, 1868, is the name given to the method of stating the capital, liabilities and assets in the case of concerns incorporated by special Acts of Parliament. It is used by such concerns, of which the most usual are railways, canal, gas and water companies, and the practice was evidently prompted by the need of securing uniformity in the method of stating their accounts. Although at first glance it may seem to differ widely from the method of statement adopted by ordinary commercial trading concerns, it is merely a difference of method and not of principle. It could be applied to the accounts of any concern where capital has been subscribed for the purpose of acquiring or setting up an undertaking, and the fact that it is not used proves, I think, that the experience of commercial undertakings is better than the theory of statutory companies. It is really only an attempt to separate in the balance sheet those items (1) which represent receipts and expenditure on capital account, and (2) the general balance sheet. If we look at the balance sheet of any railway company we shall see how this sub-division works.

In the Receipts and Expenditure on Capital Account are shown on the Receipt side:

(1) The amounts received on shares and stocks. This is shown in columnar form, and shows in the first column the amount received up to the date of the last account, the amount for the current year, and the total received.

(2) Amounts received on loans.

(3) Amounts received on debenture stock.

(4) The amount received in respect of premiums on shares and debenture stock. *less* amount allowed as discount on shares and debenture stock, the balance being carried into account.

Against these receipts we find on the other side of our account the expenditure incurred:—

(1) On the assets essential to the carrying on of the undertaking.

(2) On the assets which although not essential are by their nature brought in as a necessary complement to such assents from a revenue earning point of view. Thus we get first of all the expenditure to the previous accounts, the current year's expenditure, and the total to date.

(1) The expenditure on lines open for traffic.
(2) Lines not open for traffic :
    New lines.
    Widening existing lines.
(3) Lines leased.
(4) Lines jointly owned.
(5) Lines jointly leased.
(6) Rolling stock.
(7) Manufacturing and repairing works and plant :
    Land and buildings.
    Plant and machinery.

These are totalled and give us our total expenditure on the railway.

Then in the second division we get the expenditure on :
Horses ;
Road vehicles :
(*a*) Goods and parcels road vehicles ;
(*b*) Passenger road vehicles ;
Steamboats ;
Canals ;
Docks, harbours and wharves ;
Hotels ;
Electric power stations, &c. ;
Land property, &c., not forming part of railway or stations : (*a*) used in connection with railway working ; (*b*) not so used.
Other industries ;
Subscriptions to other companies ;
Special items.

The balance of this account, whether in excess of receipts over expenditure or the reverse, is then carried to the general balance sheet, which is drawn up in the usual manner, and shows all the items usually formed in an ordinary company's balance sheet, except that it is shown in greater detail.

Inasmuch as the whole account shows in great detail what has been subscribed and how it has been expended, much may be said in favour of the system, but it has a defect in that it can be said to a certain extent to discourage the provision for depreciation which one expects to find in the accounts of a concern where such huge sums are invested. As the concerns to which the system is applied are what may be deemed to be permanent undertakings, it was apparently considered that, provided they maintained an equivalent equipment to that with which they started, no provision for depreciation was necessary. They are bound, it is assumed, to execute all necessary repairs to keep the equipment in efficient working order, and all replacements, whether due to age or obsolescence, out of current profits. If this was actually done, then in theory no depreciation was actually necessary, and the capital expended in acquiring the fixed assets could be allowed to remain permanently unchanged in the accounts.

The system is certainly open to criticism, and the various objections to it can be summarised as follows :

(1) As the repairs and replacements are naturally small in the first year when the equipment is new, the divisible profits are inflated, and there is a tendency to impoverish the undertaking by over distribution.

(2) When in later years the replacements and repairs become heavier, there is no reserve profit to fall back upon.

(3) If part of the undertaking be subsequently abandoned, the capital sunk in its construction remains at its original figure in the balance sheet.

(4) Items which in a commercial undertaking would be charged to preliminary expenses and written off over a period of years, such as legal or parliamentary expenses in obtaining the Acts for the formation of the company, are capable of being capitalised and retained indefinitely at their original figures in the balance sheet.

(5) The system is unsound, as it is possible to carry indefinitely machines such as locomotives of the old type at their original value, although, say, half are obsolete and half has been replaced by new engines of a different type. As far as those replaced are concerned the replacement cost works all right, but as far as the old ones are concerned they may be carried on at their original cost, although they are not being used at all.

In actual practice, all the railway companies build up depreciation funds based on the most modern and efficient lines, and thereby provide for what would have been written off in the case of a commercial undertaking.

It will be readily appreciated that considerable difficulty arises in distinguishing between expenditure on new works which is really of a capital nature, and that which represents alterations or replacements which have not increased the capital value of the undertaking. A real problem arises where one asset is replaced by another of the same class but of improved type or increased capacity. The usual method is to capitalise only the difference between the present day renewal cost of the displaced asset and the cost of the new asset. It is the practice for all capital expenditure to be first of all authorised by the full board, and then, when certified by the company's own engineer, submitted again to the finance meeting for confirmation before being passed on to the accountant's department.

It is interesting to note that the obligation that formerly attached to railway companies to prepare and submit their accounts to the shareholders half yearly was removed in the 1911 Act, and they now have only the statutory obligation for yearly accounts, like all companies under the Companies Acts.

The close control and contact preserved by the Board of Trade on railway companies is worthy of note, and one cannot help feeling that if some of our limited liability companies could be controlled and guided in the same way, it would be to the advantage of all concerned. Let us now run rapidly through the various accounts specified by the 1911 Act. The requirements of the Act are split up into two sections, Financial Accounts and Statistical Returns. Taking them in the order they appear in the Act, we get :

No. 1 (*a*) : Nominal capital authorised and created by the company. The only point to mention here is that "authorised" means authorised by special Act of Parliament, and in this account has to be shown the individual Acts under which the issue is authorised, the amount so authorised, the amount created, and the balance authorised but not created. Shares and stock, loans and debentures are all included in the account.

Account No. 1 (*b*) contains the same information as regards capital authorised and created jointly with some other company.

Account No. 1 (*c*) contains the same information in respect of companies in which the main company guarantees either solely or jointly a fixed rate of dividend.

Account No. 2 shows the capital created as per account No. 1, and the amounts actually issued. Nominal additions to or deductions from the capital amount in which the dividend is payable, the amount which does not rank for dividend until a future date, calls in arrear, the amount uncalled, and the amount unissued.

Account No. 3 is a detailed schedule of the amounts raised by loans and debentures, showing the various amounts and rates of interest they carry.

Account No. 4 brings into debit and credit from the expenditure and receipts on capital account, which I have already dealt with, but there are one or two points to which I want to call special attention.

The first three items, viz, Stocks and Shares (No. 2), Loans (No. 3), and Debenture Stocks (No. 3), bring in the "par" values of shares and stocks, loans and debenture stocks, as shown in Statements Nos. 2 and 3 respectively under the heading "Amount received (apart from premiums and discount) as per Account No. 4" previously referred to. The receipts under these headings are divided to show amount received to end of previous year, and amount received during the current year of account. The receipts under the first three items represent, as already stated, the "par" value of the stocks, irrespective of whether they were issued at a premium or at a discount. The true receipt on capital account, however, is the actual amount of cash realised, and, therefore, anything in the nature of premium or discount is entered in the appropriate place in the lower part of the account, thus adjusting the receipts to the actual cash proceeds of the issue of stocks. To make the matter clear, if stock of the "face" value of £100 is issued at, say. £85, the full £100 would be entered as a receipt in the top portion of the account, and the difference between "face" value and issue price, viz, £15, would be entered under the heading of "Discount" in the lower section, thus leaving a net receipt on capital account of £85. ÷ Premiums realised by railway companies on issues of stocks must be credited to capital account, and are never transferred to the credit of reserve accounts, as frequently happens with limited companies.

On the debit side of the account, the expenditure is classified under the well defined headings. The first group is in respect of capital outlay on the railway proper, and is divided into five heads, viz:

Lines open to Traffic.—To this heading is charged all capital expenditure on improvements or widenings of running lines or sidings, additions to or improvements of passenger stations, goods sheds, engine and carriage sheds, and other works (excluding manufacturing and repairing works and plant) used in connection with railway working, on sections of line already in use for traffic operation. The expenditure embraces the cost of land (including law costs incidental thereto) acquired and used for the construction of lines and works.

Lines not open for Traffic.—This account includes expenditure of a similar nature to the above incurred in connection with lines in course of construction and not yet brought into use for traffic purposes. There are subdivisions: (1) "New Lines," which applies to lines that increase the geographical or "first track" mileage, and (2) "Existing Lines—widenings of and additions thereto," embracing expenditure on widenings of running lines, the mileage of which is included in Statistical Return 1 (*b*).

Lines Leased and Lines Jointly Leased, other than "J" Joint Lines.—The capital expenditure to be included under this heading is limited to outlay on lines exceeding one mile in length, leased or jointly leased by the company and not appearing in Abstract "J."* In the case of jointly leased lines, the company's proportion only of the total expenditure is included. Expenditure on stations and depots leased by the company and not situated on leased lines, is excluded from this heading. Capital expenditure on "J" joint lines is included under separate headings, which are to be found lower in the account.

Account No. 2 (*a*) contains details of subscriptions to other companies, with descriptions of the nature of the security or investment.

Account No. 5 is a detailed statement of the capital expenditure for the year, and it is interesting to note the three headings under which each item of expenditure is analysed.

(1) Land and Compensation.

(2) Construction of Way and Stations, Engineering, &c.

(3) Land and Parliamentary Expenses.

Account No. 6 is an unusual one, as it summarises the capital expenditure to date, and then gives the estimated further expenditure for the ensuing year and until completion under the various headings.

In Account No. 7 we get another unusual account, as it sets out what power the company has, and what assets are available to meet the further expenditure on capital account.

Accounts 8 *to* 18 are the revenue accounts, and of these No. 8 and No. 9 are unusual in that they show the receipts and expenditure in what we would regard as journal ruling, instead of the more usual ledger ruling, and they also show the comparative figures for the previous year. In the first of these accounts we have the railway, omnibus, steamboat, canal, docks and harbours, hotel and refreshment rooms, and other separate businesses summarised, followed by what are known as miscellaneous receipts, such as rents from houses and lands, rents from hotels, and other rents. Interest on investments, transfer fees, general interest, and special items. In the next account we have the proposed appropriation of the net income. Starting with the balance brought forward from the last account, then the net income of the current year and then appropriation from reserve. From this is deducted such items as interest and other fixed charges in order of priority, interest on superannuation fund, rent charges on annuities, interest on loans and debentures, rent or guaranteed interest on leased lines, interest on Lloyd's bonds, &c. After showing the current appropriation to reserve and the dividends on guaranteed stocks, we have the balance available for dividend. A separate statement follows of the interim dividends paid, showing the balance available for dividend last year, the interim dividend paid, and the undivided balance. This brings us the Revenue Account No. 10, which is the Receipts and Expenditure in respect of Railway Working, a very detailed revenue account, supported by a number of detailed schedules.

Account No. 11 is the ordinary revenue account for the omnibus, and so on up to No. 18 we get detailed revenue accounts of all the various activities of the company.

The statistical returns, which are in great detail and are of immense importance to the efficient control of the company's working, follow next, and after certificates by the chairman of the company, the secretary and the auditor, the whole account concludes with an index and a map of the company's undertaking.

One very useful statement which I should mention in passing introduced by the 1911 Act is a summary of the financial results secured in comparison with those for past years for a period of ten years. If something of this nature could be introduced into accounts, our system of published commercial accounts, some of the misguided investors who are dazzled by one year of brilliant trading might be saved from hazardous speculation.

* "J" joint lines are those in respect of which accounts are prepared by, or on behalf of, the Joint Committee, and the working results are shown in Abstract "J" of the parent company's accounts.

PASSENGER TICKETS AND STATION CASH.

Let us now take a practical example, the case of the man who takes a ticket at any railway station, and see how the transaction passes through the accounts, first of all of the station issuing the ticket, and then the various companies concerned. If the journey starts and finishes on the line belonging to the same company, it is what is known as local traffic, and, of course, the whole of the fare paid is a credit to the revenue of the company. The booking clerk enters in his train book the tickets issued, which has to reconcile with his daily cash. If local traffic, the remitting of the cash to head office completes the transaction. But if part of the journey is over the line of some other company, obviously that company, or in some cases those several companies, must be credited with their respective proportions. In order to do this, each station has to send in every month to the audit office what is known as a "Passenger Classification," which is actually a detailed classification of all the tickets issued. From this, the audit department prepared a statement for submission to the Railway Clearing House, through whom the various companies concerned are credited with the proportion due.

While we are on the subject of the passenger traffic, it may be useful to consider the method of dealing with the station account and station cash. All cash, no matter from what source, is remitted daily by all stations to the head office. The station agent has to make up each day a statement of all cash received, which accompanies this remittance, to the cashier, and another statement which is sent to the audit office. The method of check on his tickets and cash is such that any discrepancies are bound to be discovered in a very short time. Every ticket supplied to a station is numbered, and the passenger classification will show the closing number at the end of each month. The agent is held responsible for each ticket, and must on demand, without notice, produce either the tickets or their equivalent cash value, or prove that the cash has been remitted to headquarters. The system of check on this is very complete. The railway company has its own travelling auditors, one of whom, without any previous warning, will alight at a given station, take possession of the keys, cash, train book (in which all the bookings up to the last preceding train are entered, and the commencing number of each series of tickets in stock at the commencement of the day) and he also takes over the ticket cases, and stock cases. He then checks the numbers of the tickets in the cases with those in the train book, and the station passenger cash book and the daily remittances to headquarters, going back to the date of his previous visit. By counting the cash in hand, he should have the value of the tickets issued from the first train of the day to his visit. In addition to this audit check, there is also the check of the tickets collected upon the completion of passenger journeys, which, together with a complete return of all tickets collected, are forwarded to the audit office, where they are sorted, and from which the monthly station returns are checked and cross checked.

GOODS DEPARTMENT.

Let us now pass to the Goods Department, and trace two consignments of goods, one consigned "carriage paid" and the other consigned "carriage forward," say, from Cardiff to Swansea; from the time they are handed to the company until the entry appears in Account No. 8. In the first place, the consignment note is the contract between the sender and the company, and the acceptance of the goods and the consignment note binds both parties to the acceptance of its conditions.

Cardiff, that is the station at which the goods are handed in, called the sending station, invoices both lots to Swansea Station on one and the same invoice, full particulars being given as follows: Owner and number of wagon, consignment note number, sender's name, consignee, residence, number of articles and description of goods, weight, rate, paid on, paid, to pay, &c., and the goods are then forwarded. The amount appearing in the "Paid" column being a debit to the forwarding station, Cardiff, and the amount in the "To Pay" column becoming a debit to the receiving station, Swansea. Multiply these transactions and you have a month's local traffic transactions. After the close of a month, each station has to make a summary of the totals of every invoice for the month sent forward to, and received from, each other station on the system separately. These are known as station abstracts. For instance, Cardiff may perhaps have, say, 100 invoices in the month to Swansea; the total of each invoice would be entered upon the abstract as forwarded traffic local, and there would also be an abstract prepared by Cardiff Station on the same principle, for all traffic received from Swansea during the month. Swansea Station would also prepare similar statements, but, conversely, what is "forwarded" at Cardiff, of course, becomes "received" traffic at Swansea. Every station, in addition to the abstracts, prepares a summary of these abstracts, setting forth the total only of its forwarded and received transactions with each of the other stations on the home system. These summaries of abstracts are all forwarded to the audit department, and constitute a perfect system of cross check, one station upon another. There are many other, although comparatively small, items of income from local sources which have also to be brought into account.

Foreign traffic comprises traffic forwarded to a station upon another company's system, and traffic received at a home station from another station on another company's system; and also traffic neither arising nor terminating upon the home system, but simply passing over or through from one foreign railway to another, the invoice for which neither originates nor is taken into account at any station on the home system, being dealt with entirely by the Railway Clearing House. Local traffic is simplicity itself compared with "foreign" traffic, although the manner of dealing with the accounts is practically the same in both cases. The great difference is that the charges upon foreign traffic, collected by a company, both for "paid" forwarded and received "to pay," necessarily contain proportions belonging to other companies over whose railways the traffic is conveyed, and proportions of money collected by the other companies, in like manner, contains other than their own earnings. Abstracts and summaries on practically the same lines as local traffic are prepared and sent to the audit department, but are from there forwarded to the Railway Clearing House, through whom each company (with certain exceptions) makes its settlements.

RAILWAY CLEARING HOUSE.

This brings us to that important institution, the Railway Clearing House, where the division of every class of foreign traffic is made principally, and, speaking broadly, upon a mileage traffic proportion, after certain deductions, according to the miles conveyed by each company handling the traffic. It will be seen that a company may be in the position of having collected more than its own proportion of the receipts, or, on the contrary, less. The Clearing House rendered each company a comprehensive statement, showing that company's proportion of the division of all foreign and through traffic conveyed by them, and the difference between the total of its proportion of the whole, and the cash collected and collectable by it is either payable to the Railway Clearing House or by the Railway Clearing House to the company, as the case may be.

Parcels, Live Stock, &c.—What I have said in respect of goods and minerals traffic, with very little variation applies also to parcels and live stock, &c. The method of dealing with, abstracting and summarising, being almost identical, summaries and abstracts being forwarded to the audit department at the close of each month.

Every station and depot has to prepare a monthly balance sheet, on which is brought to debit every item to the debit of the station (passengers receipts excepted), the credit side showing "Cash remitted to cashier's department," and any authorised allowance, payments and balance outstanding, &c. The totals of the summaries of abstracts, both local and foreign, for goods, &c., minerals, parcels, live stock, &c., are the principal items to the debit of the station or depot, for the following reasons: "Paid forwarded" traffic, because the charges have been collected, or are collectable, at the station before the goods are forwarded, and "Received to pay" traffic, because these charges are collected at the station upon the consignments being delivered to the various consignees. Of course there are many other items which the officer in charge has to bring to debit, but the foregoing are by far the most important, all others as a rule being of a subsidiary nature.

The completion of the balance sheet, as far as a station is concerned, is practically the closing of the whole of the station's accounts for the preceding month. The balance sheet, with the last and complete abstracts, summaries, and other returns for the month, are due at the audit department not later than about the tenth day of the month following.

DEPRECIATION AND RENEWALS.

I do not propose to deal in any detail with the various expenditure items in the Revenue accounts which, from an accounting point of view, are dealt with in the usual way, but I should like to devote a little time to the question of depreciation and renewal funds. As I pointed out earlier, the whole idea of the double account system is based on the assumption that the renewal of the various assets out of revenue account as and when they reached the end of their effective lives, would automatically maintain the capital value of the undertaking without the necessity for the provision for depreciation. This was found to be neither practical nor satisfactory.

With undertakings that had reached or were approaching maximum development it was probable that the quantum of renewals required to be executed annually would provide a fairly regular annual charge to revenue account, but even in such cases there always existed accrued wastage in respect of the expired life of assets not yet due for renewal. The effect of not providing currently for depreciation was even more marked where undertakings were in process of development as the hiatus was enlarged between the time when the wastage of assets was occurring and when the ultimate charge to revenue account in respect of renewal came to be incurred.

For example, a new branch line constructed and opened for traffic commences to earn revenue immediately, but in normal course many years will elapse before any portion of the permanent way and works of that line is due for renewal. It will be clear, therefore, that if only current expenditure were charged against the earnings of the line, it would not represent a fair charge, as the burden of ultimate renewal would be left to be borne wholly in future years. For the reasons stated, it will be apparent that, to maintain a sound financial position, provision should be made annually for the shrinkage in value represented by the expired life of all wasting assets in service, and at the present time this is a common procedure of British railways.

It should be noted that in pre-war days the funds accumulated for the ultimate renewal of assets were styled "Depreciation Funds," and the annual provision charged to revenue account in respect of wastage of assets was based on the original capital cost of the asset affected. Thus, if the original capital of the asset were £2,000, and the anticipated life twenty years, the amount to be set aside each year to provide for the renewal of the asset at the end of its effective life would be £2,000, less the estimated residual value, divided by twenty. The great increase in the cost of wages and materials arising since the war rendered such provisions wholly inadequate for ultimate renewal of assets which were produced originally at comparatively low prices. It became necessary, therefore, in many cases to revise the basis of annual provision, and this was done by taking the estimated renewal cost in lieu of original capital cost. Annual provisions on the revised basis are now generally referred to as "Renewal" provisions, and the accumulated funds as "Renewal Funds." The revised basis, however, is not used in every case, and in certain instances provisions are still based on original capital cost. This is done where it is anticipated that the assets of a certain description will not require to be renewed at the expiration of their effective life. Electric power stations may be quoted as an example, where the company anticipates that, at some future date, they will purchase current instead of generating it.

It will be understood that renewal provisions are calculated so as to produce a sum at the end of the life of the asset sufficient to replace the asset with another of similar description. In the interval that elapses between the original purchase and the date of the renewal of the asset, it is probable that the progress of science and invention has provided an improved type better able to do the work required, and consequently it would be futile to replace the asset by one identical with the original design.

The renewed asset is, generally speaking, not only of better type, but probably also capable of increasing output. It is "better" than the original, and the value of the difference between the two assets, *i.e.*, betterment, must be assessed when renewal is effected. "Betterment," therefore, is the difference between the estimated replacement cost of the displaced asset and the cost of the new asset. "Betterment" is, strictly speaking, properly chargeable to capital account, but in practice it may be charged to revenue account. If the betterment is over £500 in value, unless charged to capital or funds set aside for improvements, it is included under the heading "New and Improved Works," &c., in Account No. 8.

It will be appreciated from the illustration given above that a "depreciation" provision, where the original cost to be written off over a number of years is a known fact, is capable of more exact calculation than a "renewal" provision, where the value of the transaction must necessarily be estimated, as the exact amount is never capable of determination in advance. The annual sum to be set aside must be based largely on opinion as to ultimate renewal cost and anticipated life, rather than on absolute facts. Nevertheless it is possible by careful survey and consideration of past experience to determine with reasonable accuracy the sums necessary to be set aside annually.

It is usual to provide renewal funds for groups or classes of assets, rather than for individual assets. It is probable, therefore, that if certain assets included in the group or class fail to reach the end of their anticipated life, others will exceed it, and so the equilibrium of the renewal funds will be maintained.

The essential factors to which regard must be had in consideration of renewal provisions are:

(1) During the estimated life the renewal provision (plus

current repairs and working expenses) must be debited to revenue account.

(2) To provide for each year's revenue being accurately stated during the life of an asset the charges for repairs and maintenance (the latter including renewal provisions) should be spread over those years so that the burden will be distributed. There are several methods, all leading to the same goal, by which these results may be achieved. Broadly, these are :

(*a*) Divide the estimated renewal cost (less estimated value of the scrap to be recovered) by the anticipated years of life of the asset, and debit revenue account with an equal amount annually.

(*b*) Charge to revenue account annually a sum arrived at by taking a fixed percentage of the value of the asset at the end of the year, the value of the asset being reduced accordingly, so that by the end of its anticipated life the value of the asset is reduced to its scrap value. This method is generally known as the " Income Tax " method. Under this system the annual renewal charge to revenue account decreases from year to year, as the fixed percentage is calculated on a reducing value, and this to some extent tends to equalise the charge to revenue over the period of the life of the asset, because as the renewal provision decreases, the cost of repairs, owing to the advancing age of the asset, naturally tends to increase.

(*c*) Charge to revenue account annually such sum as will, if set aside at compound interest, accumulate to the estimated renewal cost of the asset (less estimated value of the recoverable scrap) at the expiration of its estimated life. This method, which is known as the " Sinking Fund " method, requires a smaller direct debit to revenue annually, but involves an increasing credit to the fund in respect of interest. Such interest may be earned either by investing the accumulated fund in outside securities, or by employing the fund in the undertaking. If the fund is employed in the undertaking, it is necessary to debit revenue account with the annual interest charges, and *per contra* credit the renewal fund. The annual sum required to be set aside under this method can readily be ascertained by reference to the published sinking fund tables.

(*d*) Debit to revenue annually such sum as will, at the expiration of the estimated life of the asset, provide for the original cost, together with interest on the balance of the capital sum from time to time invested in the assets. This method is most usefully employed in connection with leasehold premises, where it is desirable, in order not to lose sight of the interest factor, to charge revenue account with an annual sum sufficient not only to write off during the term of the lease the premium paid therefor, but also a sum representing interest on the unliquidated cost. The annual charge to revenue account under this method may be arrived at by either of two ways, *i.e.*, (1) To debit to revenue an equal proportion of the capital sum annually plus interest at an agreed percentage on the unliquidated value of the asset, or (2) to charge revenue with an equal sum annually covering both liquidation of the capital sum and interest.

Assuming a sum of £4,000 be paid for a lease having an unexpired period of four years to run, the charge under method (1) would be :

	Principal.	Interest at 5 per cent.	Total Debit to Revenue Account.
First Year	£1,000	On £4,000 = £200	£1,200
Second Year	1,000	3,000 = 150	1,150
Third Year	1,000	2,000 = 100	1,100
Fourth Year	1,000	1,000 = 50	1,050
	£4,000	£500	£4,500

Under method (2) the annual charge to revenue account would be ascertained by taking a sinking fund instalment for four years at 5 per cent., and adding thereto 5 per cent. on the original sum.

	per £1.	
Sinking Fund instalment = .232 × £4,000	..	£928
Interest at 5 per cent. on £4,000	.. ..	200
Equal annual amount	.. .. ..	£1,128

The total charge during the four years, under method (2), is therefore £4,512, or slightly greater than under method (1). This is due to the fact that the amount of principal repaid in the earlier years under the second method is somewhat less than under the first method, and consequently the interest charge is greater.

(*e*) Assess in advance the total charges that will be incurred during the anticipated life of an asset both for repairs and ultimate renewal, and charge revenue each year with an equal proportion of such estimated total. By this means the annual charge to revenue is equalised, but it involves a considerable measure of estimating, and can only be usefully employed where sufficient experience is available to ensure reasonable accuracy.

(*f*) Charge to revenue each year the difference between the value of an asset as shown by the books and the value as disclosed by an actual valuation. This method has the advantage of ensuring that at the close of each accounting period, the book value of the assets coincides with the expert valuer's assessment of present value, but in practice such procedure is very troublesome where undertakings own a variety of assets, such as is the case with railway companies.

Each of the above methods has certain advantages, and the practice of railway companies in making provision for renewals has in the past not been entirely uniform. After full consideration, however, of the various methods, agreement has now been reached amongst the companies that method (*a*), known as the " straight line basis," will be generally employed in future, as, although this method is not so scientific as some of the others, it has the merit of simplicity, and is sufficiently accurate for all practical purposes.

Let us see how the " straight line " basis of renewal provision may be applied to road motor omnibuses. For these vehicles it is usually considered unnecessary to fix varying lives for the different classes of vehicles, and consequently a standard life is applied to the whole of the fleet. This makes the calculation of the renewal provision a quite straightforward matter.

Assuming the standard life to be five years, and the estimated scrap value 10 per cent., the annual provision would be arrived at as under :

Estimated renewal cost of vehicles in service, say	£100,000
Less estimated scrap value, 10 per cent. ..	10,000
	£90,000
Annual provision, 20 per cent. (5 years' life) ..	£18,000

With certain other assets, however, it is found by experience that those comprised within a particular class have varying average lives, and in such cases, if a reasonably accurate provision is to be ascertained, it is necessary to arrive at a " weighted " average.

Workshop machinery, for instance, may be cited as a class of asset for which it is generally desirable to establish a " weighted " average in order to arrive at a proper annual provision. For this purpose it is necessary to

schedule all machinery in service in classes according to their estimated lives. The value of machinery in each life gradation can thus be ascertained, and a weighted average for all machinery in service be ascertained as follows :

Value..	Estimated Service Life in Years.	Estimated Residual Value. Per cent.	Total Service Loss.. Per cent.	Amount.	Annual Service Loss. Amount.
(1)	(2)	(3)	(4)	(5)	(6)
		%	%	£	£
5,000 ..	50	5	95	4,750	95
10,000 ..	40	10	90	9,000	225
60,000 ..	30	15	85	51,000	1,700
25,000 ..	20	20	80	80,000	1,000
100,000 ..	—	—	—	—	£3,020

The total of the annual service loss as shown in column (6) is equivalent to 3.02 per cent. of the value of machinery in column (1), and therefore this percentage could be adopted as the composite depreciation rate applicable to workshop machinery.

In the case of permanent way, the procedure for arriving at the requisite annual provision for renewals is somewhat different, as the "value" basis described above cannot be so conveniently applied. The engineer's experience will no doubt prove that certain sections of line, owing to use and situation, will last longer than others, while different sections require to be laid with rails of varying weights, thus causing variations in costs. In order, therefore, to arrive at a proper "weighted" average, the engineer must deal with each section of line and estimate the life and renewal cost of each.

The method of arriving at a proper annual provision in such cases is for the engineer to prepare complete schedules of lines under his control which are subject to complete renewal. There are separate schedules for each district or division, first-class lines, *i.e.*, lines laid with 95 lb. rails, being scheduled separately from second-class lines laid with 85 lb. rails. The schedules are arranged on the following lines :

COMPLETE RENEWAL OF PERMANENT WAY.

Class of Line—First (95 lb. rails).

Section of Line.	Length of Section.	Year previously renewed.	Estimated Total Life of existing Track.	Mileage of Renewable Track on Annual Basis.
(1)	(2)	(3)	(4)	(5)
	M. Ch.			M. Ch.
A to B ..	50	1920	25	2
B to C ..	2 0	1923	20	8
C to D ..	3 20	1922	20	13
D to E ..	66 66	1921	18	3 57
				4 0

The whole of the lines being scheduled, the figure "Mileage of renewable track on an annual basis" shown in column (5) is calculated by dividing the "Length of Section" column (2) by the "Estimated total life of existing tract" column (4). The total of column (5) then shows the mileage on which annual provision must be based to provide for renewal of lines at the end of their effective lives. In order to assess the annual sum to be provided, further calculations are necessary to find the average cost of relaying one mile of road in each class of line.

This is ascertained by calculating (each class of road being dealt with separately) the total quantity and value of rails, chairs, sleepers, fishplates, fishbolts, screws, keys, ballasts, &c., used on one mile of plain track (*i.e.*, track without points and crossings), to which is added cost of labour, engine power, &c. Credit is then allowed for value of serviceable and scrap material recoverable, the resulting figure giving the average net cost per mile of plain road. To this is added a sum representing the additional average cost of point and crossing work per mile of line. The figure so ascertained is applied to the mileage figure shown in column (5) of the schedules, thus furnishing the measure of the annual financial provision for complete renewal. For example, assuming the net cost of one mile of road laid with 95 lb. rails be ascertained to be £2,300, the annual provision would be £2,300 × 4 miles = £9,200.

While the exact method of ascertainment of the appropriate renewal provision may vary, according to the class of assets being dealt with, the same ultimate object is achieved, viz, the setting aside of such annual sum as will provide for the renewal of wasting assets as and when required, so that the undertaking can be carried on upon a permanent basis.

In the method of dealing with renewal provisions in the accounts, the procedure followed by railway companies is somewhat different from that of ordinary commercial concerns, where the general practice is to charge the renewal provisions direct to revenue account, and *per contra* credit the renewal fund, any expenditure incurred on renewals being charged direct to the fund. In the case of railway companies, however, it is required that actual expenditure incurred on renewals should be debited not directly to the fund, but should first of all be debited to the appropriate revenue expenditure item (any scrap or residuals being credited to the same item), the adjustment between actual net expenditure and the renewal provision being effected as a transfer to or from renewal or suspense account, which is shown at the foot of each expenditure abstract or account. The effect of this procedure is that if in any year the actual net expenditure on renewals is in excess of the renewals provision, there is a transfer from renewal fund of the amount of the excess, or, on the other hand, should the net expenditure on renewals be less than the renewal provision, a transfer of the difference to renewal fund is made.

I have not been able to deal with the subject in anything like an exhaustive manner in the time at my disposal, but I only hope that should the examiners erect the hurdle of the double account system in the next examination I may help some candidates to surmount it. I am indebted to Mr. C. H. Newton, the Chief Accountant to the London and North Eastern Railway, for the facts and figures I have quoted on depreciation. Mr. Newton's book on "Railway Accounts" is a most valuable publication.

Obituary.

ERNEST GEORGE SHORROCK.

We regret to announce the death of Mr. E. G. Shorrock, F.S.A.A., of the firm of E. G. Shorrock & Co., Seattle, Washington, U.S.A. Mr. Shorrock became an Associate of the Society in 1901, and a Fellow in 1905. He was also a Certified Public Accountant (U.S.A.), and a member of the American Institute of Accountants. Although he had been in practice in Seattle since the year of his election to membership, Mr. Shorrock maintained communication with the Society in London. He met Sir James Martin at the first International Congress of Accountants, which was held at St. Louis in 1904, and Mr. A. A. Garrett at the Twentieth Anniversary Meeting of the American Institute of Accountants, also held at St. Louis, in 1924.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following promotions in, and additions to, the Membership of the Society have been completed since our last issue :—

ASSOCIATES TO FELLOWS.

ASHWORTH, WILLIAM (Ashworth, Moulds & Co.), 7A, Yorkshire Street, Burnley, Practising Accountant.

GAIT, ARTHUR, 30, High Street, Newport, Mon., Practising Accountant.

LESTER, HENRY JOHN (C. N. Walter, Lester & Co.), 275, Finsbury Pavement House, London, E.C.2, Practising Accountant.

LUTKIN, FREDERICK, Hutton Road, Fish Docks, Grimsby, Practising Accountant.

MACGOWAN, ARTHUR WATSON (T. F. Grundy, MacGowan and Co.), 1-4, Broad Street Place, London, E.C.2, Practising Accountant.

NOTLEY, FREDERICK JOHN (Lucian J. Brown, Henney and Notley), Friars Chambers, Newport, Mon., Practising Accountant.

O'NEILL, RICHARD AIDEN (O'Neill, Barron & Co.), 93, O'Connell Street, Limerick, Practising Accountant.

PEACOCK, ALFRED HOLDEN, M.A. (A. H. Peacock & Co.), 142, The Grove, Stratford, London, E.15, Practising Accountant.

THOMERSON, FRANK LESLIE, 6-7, Old Steine, Brighton, Practising Accountant.

TRIST, HERBERT JAMES (H. J. Trist & Stranger), Challis House, Martin Place, Sydney, New South Wales, Practising Accountant.

ASSOCIATES.

CHATTERJEE, DEBI PROSANNA, B.A., Clerk to H. Lomax and Co., 83, Bridge Street, Manchester.

CROSFIELD, FREDERICK WILLIAM, Clerk to Humphreys, Dearden & Co., 15, Great Underbank, Stockport.

FORREST, LEONARD (W. D. Burlinson & Co.), Union Bank Chambers, Batley, Practising Accountant.

HERON, LEWIS, Yorkshire Penny Bank Chambers, Waterhouse Street, Halifax, Practising Accountant.

KEBBELL, CECIL LESLIE, Clerk to W. C. Tuke & Co., 38, Walbrook, London, E.C.4.

KEE, DOROTHY CAMPBELL, Clerk to Shannon & Kneale, St. George's Chambers, 1, Athol Street, Douglas (I.O.M.).

OWEN, EWART LLOYD, Clerk to Kilby & Fox, Drury Chambers, Market Square, Northampton.

PERERA, TUDOR VINCENT, Municipal Council Offices, Colombo, Ceylon.

SCOPES, ERIC ALFRED, Clerk to Smallfield, Rawlins, Thomas & Co., 1, Ironmonger Lane, London, E.C.2.

SIDEBOTTOM, ERNEST ARTHUR, formerly clerk to E. V. Williamson & Co., Greek Street Chambers, Greek Street, Leeds.

WALKEM, STEPHEN HENRY, Clerk to T. A. Spittle, 184, Old Christchurch Road, Bournemouth.

WARD, GEORGE, Clerk to Nathaniel Duxbury, Son & Co., 27, Richmond Terrace, Blackburn.

WILLIAMS, WILLIAM GLYNN, Accountant's Department, University of Liverpool, Brownlow Hill, Liverpool (formerly Clerk to Harmood Banner & Sons, Liverpool).

WOODS, CYRIL GEORGE, Clerk to Bennett, King & Orton, 7, St. Martin's East, Leicester.

YOUNG, ERNEST ERIC, Clerk to Pettitt & Sons, Lloyds' Bank Chambers, Bournemouth.

Reviews.

Accountants' and Auditors' Diary, 1933. *London: T. Whittingham & Co., Limited, 50, Southwark Bridge Road, S.E.1, and 35, Bucklersbury, E.C.4. (Price 6s. to 12s. 6d. net, according to size and binding.)*

This diary is specially designed for the use of accountants, and past experience has proved its value and usefulness, with the result that it is becoming more popular year by year. In the body of the diary provision is made for setting out the details of work done day by day, and at the end there is a time summary. The summary is specially ruled to enable the time for the whole year, or any shorter period, to be summarised under the client's name, additional columns being provided for working out the total time and extending the charges. In the cloth bound editions the summary is enlarged and divided into alphabetical sections for convenience of reference. The editorial matter is specially selected so as to be of practical use to accountants in carrying out their duties from day to day, and comprises the main provisions of the Companies Act, 1929, so far as they affect accountants, and also the audit provisions relating to companies incorporated under special Acts of Parliament. Special attention has been given to Income Tax and Sur Tax, full particulars (including the alterations effected by the Finance Act of 1932) being supplied in a form readily accessible and without unnecessary detail. Full information is likewise supplied with regard to deeds of arrangement, stamp duties, national health and unemployment insurance, &c. The diary is published in a number of different sizes and bindings suitable for the varying requirements of principals and clerks.

The Companies Diary and Agenda Book, 1933. *By Herbert W. Jordan. London: Jordan & Sons, Limited, Chancery Lane, W.C.2. (Price 4s. net.)*

Company secretaries will find much useful information in this diary, which is specially designed for their use. The editorial matter deals with numerous subjects which arise in connection with secretarial duties from time to time, including forfeiture and surrender of shares, Dominion register, special and extraordinary resolutions, conduct of general meetings, precedents of resolutions, &c.; also general provisions as to stamps and time for stamping documents, and allowance for spoiled stamps.

The Routine of a Public Issue. *By Oswald M. Brown, F.C.A. Cambridge: W. Heffer & Sons, Limited.* (240 *pp. Price* 7*s.* 6*d. net.*)

The routine work in connection with a public issue of shares is fully described in this publication, not only as regards the receipt of applications and the issue of Letters of Allotmant and Regret, but also the subsequent work of dealing with splits, renunciations, registration, &c. The appendix contains numerous forms, and the whole procedure is described in considerable detail.

Manual of Cost Accounts. *Sixth Edition. By H. Julius Lunt, F.C.A., and A. H. Ripley. London: Sir Isaac Pitman & Sons, Limited, Parker Street, Kingsway, W.C.2.* (266 *pp. Price* 8*s.* 6*d. net.*)

In Part I of this book the authors deal with the principles of costing in their various forms, whilst Part II shows the application of these principles to engineering costs. Examples are given of rulings and accounts, with specimen entries and the method of reconciling the cost accounts with the financial books. A chart is given showing the general arrangement of the accounts and the method of assembling the cost records.

Income Tax Law and Practice. *6th Edition. By Cecil A. Newport and Ronald Staples. London: Sweet & Maxwell, Limited, 2 and 3, Chancery Lane, W.C.2.* (356 *pp. Price* 10*s.* 6*d. net.*)

An important feature of this publication is the numerous examples which the authors supply in illustration of points of difficulty in relation to Income Tax computations. The book covers the whole range of Income Tax law and administration, and particular attention is given to points on which doubt is likely to arise. In the appendix is given a list of the wear and tear allowances in different trades and undertakings which have been agreed to by the Board of Inland Revenue, and also a number of questions on Income Tax extracted from examination papers, with the answers thereto. These will be found useful to examination candidates.

The Law Relating to Reduction of Share Capital. *3rd Edition. By Paul F. Simonson, M.A., Barrister-at-Law. London: Jordan & Sons, Limited, Chancery Lane, W.C.2.* (152 *pp. Price* 15*s. net.*)

In the present condition of trade, reductions of capital of public and private companies are unfortunately by no means unusual, and the issue of this publication is therefore timely. The book commences with an explanation of the circumstances under which reduction of capital may be effected (1) without obtaining the confirmation of the Court, and (2) with the authority of the Court under the provisions of sects. 55 to 58 of the Companies Act, 1929. Full particulars of the procedure are given, followed by a large number of forms and precedents and the rules of the Supreme Court bearing upon the matter.

Book-keeping for Retail Cash Trades. *By J. O. Kettridge, F.S.A.A. London: Gee & Co. (Publishers) Limited, 8, Kirby Street, E.C.*1. (36 *pp. Price* 2*s.* 6*d. net.*)

This little booklet describes three systems of book-keeping for retail cash trades. In the first system all the takings are paid into bank, and all outgoings, except petty expenses, are paid by cheque. Under the second system, only part of the takings are paid into the bank, other amounts being used to pay expenses. System number three is largely on the same lines as number two, but the exact amount of each day's takings is recorded and the necessary data for a profit and loss account and balance sheet is provided. The basis of the book-keeping in each case is a columnar cash book, together with provision for arriving at the stock and the creditors at the end of the year, the variations in the three systems being designed mainly to meet the requirements necessitated by the different methods of dealing with cash.

Changes and Removals.

Mr. A. E. S. Barker, Incorporated Accountant, has removed his offices to 20, Church Street, West Hartlepool.

Mr. David Gibson, Incorporated Accountant, announces that he is now practising at Central Arcade, 79, Royal Avenue, Belfast.

Messrs. Haydon & Fry, Incorporated Accountants, have removed their offices to 5, Sussex Terrace, Plymouth.

Mr. H. G. Large, Incorporated Accountant, intimates a change of address to 6, Laurence Pountney Hill, Cannon Street, London, E,C.4.

Mr. Graham H. Newsome, Incorporated Accountant, has commenced practice at 397, Stockport Road, Longsight, Manchester, under the style of G. Heathcote, Newsome & Co.

Incorporated Accountants' Newcastle-upon-Tyne and District Society.

ANNUAL DINNER.

The annual dinner of the Incorporated Accountants' Newcastle-upon-Tyne and District Society was held at the Station Hotel, Newcastle, on November 4th. Councillor W. H. STALKER, (President of the District Society), presided, and those present included: Mrs. Stalker; the Lord Mayor and Lady Mayoress of Newcastle (Councillor and Mrs. J. G. Nixon); the Sheriff and Mrs. J. Leadbitter: Mr. R. Wilson Bartlett, J.P., F.S.A.A. (Vice-President of the Society of Incorporated Accountants and Auditors); Alderman Sir Arthur Lambert; Mr. Oswin J. Charlton (President of the Newcastle-upon-Tyne Incorporated Law Society) and Mrs. Charlton; Mr. A. W. Pickering (President of the Institute of Bankers, Newcastle-upon-Tyne) and Mrs. Pickering; Councillor Angus Watson, J.P. (President of the Incorporated Secretaries' Association, Newcastle Centre) and Mrs. Watson; Mr. Alex. Cameron (President of Sunderland Chamber of Commerce) and Mrs. Cameron; Professor H. M. Hallsworth, M.A., M.Com.; Mr. Joseph Turner (President of the Incorporated Accountants' Manchester and District Society) and Mrs. Turner; Mr. Tom Revell (President of the Yorkshire District Society); Mr. Alexander Hannah (President of the Liverpool District Society); Mr. J. M. Orwin (President of the N.E. Coast Association of Chartered Secretaries); Mr. R. Betts (Official Receiver in Bankruptcy, Newcastle) and Mrs. Betts; Mr. A. D. Minton-Senhouse (County Court Registrar, Newcastle); Mr. Halvor Piggott (Hon. Secretary, Manchester District Society); Mr. J. W. Richardson (Hon. Secretary, Sheffield and District Society); Mr. T. M. Rhodes (Hon. Secretary of Bradford District Society); Mr. Graham Adam (Hon. Secretary, Northern Society of Chartered Accountants) and Mrs. Adam; Mr. Fred Smith (Vice-President, Newcastle-upon-Tyne and District Society) and Mrs. Smith; Lt.-Col. B. Peatfield (Clerk to the Income Tax Commissioners, Newcastle) and Mrs. Peatfield; Mr. Leslie Lewis (President, Sheffield and District Society); Mr. G. A. Ridgway (President, Hull and District Society); Miss P. E. M. Ridgway, B.A.; Mr. C. Percy Barrowcliff (Hon. Secretary, Middlesbrough Students' Society); Mr. A. H. Crumpton (Hon. Secretary, Hull and District Society) and Mrs. Crumpton; Mr. J. L. Batty (Inspector of Taxes, Newcastle) and Mrs. Batty; Mr. W. P. Sawyer (Inspector of Taxes, Sunderland); Mr. M. H. Groves (Vice-President, Newcastle-upon-Tyne and District Society) and Mrs. Groves; Mr. Ernest E. Edwards (Parliamentary Secretary of the Society of Incorporated Accountants and Auditors); Mr. R. S. Duthie (Hon. Secretary, Cumberland and Westmorland District Society); Mr. J. Telfer (Hon. Secretary) and Mrs. J. Telfer.

Councillor W. H. STALKER, proposing the toast of "The City and Corporation of Newcastle-upon-Tyne," said that they were delighted to have as Lord Mayor a distinguished member of a kindred society, the Institute of Chartered Accountants. In these days when economy was the ever dominant note, the City made a wise choice in selecting as its Lord Mayor a Chartered Accountant, and, as its Sheriff a man of business who had great experience in the administration of public assistance. It was too much to expect that the trade of the North-East coast, which had sunk very low, could be easily and swiftly

lifted, but they were all working and hoping for the time when there would be renewed trade and prosperity in the industries on which the North-East was dependent. No gathering of accountants would be complete without some reference to income tax. They were entitled to utter some protest against the enormous sums being extracted from time to time in estate duties and being used for revenue purposes.

The LORD MAYOR OF NEWCASTLE (Councillor J. G. Nixon) in his response referred to the unemployment in Newcastle, and mentioned that out of the present rate of ten shillings in the pound, which was a tremendous burden on the city, half the money was for Poor Law purposes. He spoke, however, of the glimmer of a hope that the tide had turned. The Bankers' Clearing House returns for Newcastle for four successive weeks in October showed substantial increases. This was the first time in several years that such an increase had been registered.

The SHERIFF (Councillor J. Leadbitter) also added a word of response and spoke of the ill effect of too much economy in the form of cutting down public development.

Sir ARTHUR LAMBERT, proposing "The Society of Incorporated Accountants and Auditors," paid a high tribute to the members of the Society and said that nothing had helped the man in the street to have faith in the stability of concerns that were being floated and carried on so much as knowledge of the names of the auditors which appeared in the prospectus and the balance sheet. Those mystic letters, F.S.A.A. and A.S.A.A., could be accepted by business men as the hall-mark of trustworthiness. That intricate mathematical work required skilled brains, trained to the highest degree of efficiency.

Mr. R. WILSON BARTLETT, J.P. (Vice-President of the Society of Incorporated Accountants and Auditors), responded to the toast. He thanked Sir Arthur Lambert, and paid a tribute to the work he had done for Tyneside, especially as Lord Mayor in 1929, during the North-East Coast Exhibition. Mr. Bartlett said that the Society, centred in London and governing the professional destinies of 5,800 accountants and auditors, called for personal touch and collaboration of members in all parts of the country and in the Dominions. Their present scheme of organisation now provided for eight Branches and 21 District Societies. The Branches were situate two in Australia, three in South Africa, one in Scotland, one in Ireland and one in Canada. The 21 District Societies covered every section of England and Wales, with one in Northern Ireland and one in Bombay. The Newcastle Society was established in 1896 and now had 370 members, including 170 students. He was there only as a substitute for the President, who was a busy professional man and who had promised to attend a similar function in Preston on the previous Wednesday. The President desired the speaker heartily to congratulate the Newcastle District Society, and especially the officers and Committee, on their activity and progressive membership. Personally, he was always particularly pleased to note the results achieved by the students at the examinations of the Society. Although no one would yet know the good fortune or otherwise of those who had laboured—he thought that was the right word—at the various centres during the current week, it must be a source of gratification to Newcastle to remember that at that time last year two of their students did exceptionally well. Continuing, Mr. Bartlett dealt at some length with comparisons between Newcastle and Newport, Monmouthshire, which he said were very much alike in several respects. The Lord Mayor had said that Newcastle was paying ten shillings in the pound rates. This the Lord Mayor had called an enormous disadvantage, but the speaker pointed out that in some parts of South Wales as much as 29 shillings and 30 shillings in the pound was being levied in rates. Some of the traders and commercial companies would not have been able to carry on but for the derating plan. Much had been said with regard to economy. That word had been abused. What was wanted was wise spending: those who could spend should spend, provided they could do it out of income; if they had to go to capital and their capital resources were sufficient, it was their duty to continue spending wisely. He would suggest that this wise spending should be left to the private individual instead of to the local authorities. In the unsheltered industries wages were forced down in the effort to sell in the world markets. In the past months the Government and Local Authorities had endeavoured to practise economy and bring the scale down, but had that gone through the really sheltered industries in this country? In that connection he would like to deal very shortly with, for instance, some of our central boards. He wondered if any of them had gone to the trouble of reading over the reports and accounts of the Central Electricity Board. If not, he advised them to get copies and examine them closely. To him they brought out very interesting facts. As most of them were aware, the Central Electricity Board was brought into being by Act of Parliament in 1926, based on the report of a Committee held in 1924, presided over by Lord Weir and known as the Weir Committee. Their report said that the whole scheme could be put into operation at a cost of £33½ millions, and that covered £25 millions for the cost of the main grid and £8½ millions for the standardisation of frequency. If these figures were based on a Committee's report in 1924, and taken on figures available for 1923, that ought to be carried out at a lower figure to-day following the fall in prices and cost of living. But instead they found that the cost of the grid had gone up from £25 millions to £33½ millions, with no explanation at all for the increase, while the cost of standardisation of frequency had gone up from the estimated £8½ millions to £18½ millions—more than double. It was rather interesting to note that the North-East district of England had taken, as the cost of standardisation, a greater sum than was originally estimated for the whole of England and Wales—over £9 millions—without any reason being given. Then there were the estimates for the stations. The Weir Committee based its estimates on 58 stations for the whole country. These had been increased to 135. He would suggest that such an increase ought to have only one foundation, and that should be an increase in the demand over and above what the original committee thought it would have been. But when they turned to that section of the report they would find that the Weir Committee based its figures on a consumption per head in 1923 of 110 units, and estimated that the consumption would (owing to the cheapness of the power) be increased to 500 units per head in 1940. If they took the natural increase from 1923 to 1940 they would find that in 1931 the consumption per head should have been 294 units but, according to the report of the Electricity Commissioners, it was 210. We were faced with the fact of a huge increase in capital expenditure, with a very large decrease in the consumption and anticipated income. In conclusion, Mr. Bartlett congratulated Councillor Stalker on occupying the very high position of President of the Newcastle and District Society. Councillor Stalker had for some years carried out a great deal of social, religious, and commercial work. Then he must not forget Mr. Telfer, the Secretary. Presidents came and went, but Secretaries seemed to go on for ever.

Mr. C. P. BARROWCLIFF, F.S.A.A., in proposing "Our Guests," made a witty and amusing speech, and paid a tribute to the legal profession for their valuable co-operation.

Mr. OSWIN J. CHARLTON (President of the Newcastle Incorporated Law Society), in responding, said that solicitors received an immense benefit from that co-operation. He referred to rumours that solicitors' accounts might have to be compulsorily audited.

Mr. JOSEPH TURNER (President of the Incorporated Accountants' District Society of Manchester) proposed the health of the Newcastle Branch, and paid a tribute to the fine work done by the President, Councillor Stalker, and the Secretary, Mr. Telfer. He mentioned that when Mr. Telfer took over the Hon. Secretaryship ten years ago the membership was 86 and it was now 370.

CLAIM FOR ACCOUNTANTS' CHARGES.

Guarantee or Undertaking to Pay ?

Mr. Justice Swift, in the King's Bench Division on November 7th, heard an action by Messrs. Jones & Peel, Chartered Accountants, of Kingsway, London, to recover £151 13s., professional fees, from Mr. Walter Light, builder and estate developer, residing at Hatch Lane, Harmondsworth, Middlesex. Messrs. Jones & Peel sued on a contract of indemnity alleged to have been given by Mr. Light, which he denied.

Mr. H. A. Davies, for the plaintiffs, said that Mr. Light was a gentleman interested in several companies, and Messrs. Jones & Peel acted as accountants to them. They were in arrears with their payments to Messrs. Jones & Peel, and at an interview with Mr. Light on November 24th, 1931, the latter promised to pay the amount due, with the hope of getting it from the companies. Thereupon the plaintiffs continued to carry on work for the companies.

Mr. Justice Swift remarked that his impression was that an indemnity such as was alleged here must be in writing.

Counsel (Mr. Davies), thought not, as this was purely a personal indemnity by Mr. Light to pay. It was not a contract to guarantee, which of course required to be in writing.

Mr. Justice Swift said that apparently this was not a contract of indemnity at all. It was simply an arrangement to the effect that if the plaintiffs would continue their work for the companies he (defendant) would pay them what was owing.

Mr. A. Gordon for the defence, submitted that Mr. Light gave no undertaking to the plaintiffs except that he would do his best to see that the companies paid them the money undoubtedly owing. In addition, counsel contended that the agreement, if any, was not enforceable because it was not in writing as required in law.

Mr. Justice Swift, giving judgment, said he was quite satisfied there was a bargain made by which Mr. Light undertook personally that if the plaintiffs would continue their duties as accountants to the companies, he would pay them direct and himself get the money from the companies when they were able to pay. In his view, added the Judge, it was not necessary for this agreement to be in writing and there would be judgment for the plaintiffs for the amount claimed, with costs.

CHARTERED INSTITUTE OF SECRETARIES.

DINNER AT GUILDHALL.

The Chartered Institute of Secretaries celebrates its 41st anniversary this year, having been founded in 1891, A large and distinguished company was present at a Dinner given by the Institute on November 22nd in the Guildhall, London.

The PRESIDENT OF THE INSTITUTE (Mr. F. R. E. Davis, O.B.E.), occupied the chair, and among those supporting him were the following: The Brazilian Ambassador, Senhor Dr. Régis de Oliveira, The Lord Mayor (Sir Percy Greenaway) and the Lady Mayoress, Viscount and Viscountess Churchill, Sir Robert Horne, Lord and Lady Plender, Viscount Leverhulme (President of the London Chamber of Commerce), the Earl and Countess of Mount Edgcombe, Sir James and Lady Milne, Sir Lulham Pound, Alderman Sir Chas. Batho and Lady Batho, Brig.-Gen. Sir Arthur Maxwell (President of the Institute of Bankers), Sir Percy Mackinnon (Chairman of Lloyds), Hon. George Colville (Secretary of the Institute of Chartered Accountants), Hon. A. E. A. Napier, C.B. (Deputy Clerk to the Crown), Mr. E. Cassleton Elliott and Mr. A. A. Garrett (President and Secretary of the Society of Incorporated Accountants and Auditors), Alderman Sir Stephen Killik, Mr. H. C. Holman, Col. William Parker, D.S.O. (Past President), Mr. Edward Wilshaw (Past President), Mr. A. de V. Leigh, M.B.E. (Secretary, London Chamber of Commerce), Mr. C. H. Isdell-Carpenter (Secretary).

After the usual loyal toasts, Mr. W. G. HISLOP (Vice-President) proposed the toast of "The Corporation of London." They were, he said, intensely proud of the City Corporation; nowhere else in the world would they find so remarkable a body, having such an unbroken history and possessing so many memorable rights. Parliament itself was modelled on the Corporation of the City of London, and one could not help having the feeling that sometimes Parliament would have done well to adhere more closely to the model. (Laughter and applause.)

The LORD MAYOR, acknowledging the toast, said he hoped he would be pardoned for thinking that no hall in this or any other country could excel the Guildhall. What better place could one have for a dinner given by the members of a profession which had progressed with rapid strides? The Institute celebrated its 41st anniversary this year, and had been domiciled within the City since its formation in 1891. The Corporation, in lending them Guildhall that night and on several former occasions, marked its appreciation of the influence and high standing of the Institution, and its recognition of the valuable work which was being performed in raising the status of the responsible position of secretaries of joint stock companies and those other descriptions of incorporated bodies engaged in carrying out statutory and other duties. In these days commerce had developed its own professions of accountancy and secretaryship, as well as those of other spheres—insurance, surveying, auctioneering, &c. When stability meant so much and confidence was all-important, the professional advisers whom they called to their aid in their businesses played their part in helping to sustain in the markets and exchanges of the City that credit which was so necessary to the commerce of London. (Applause.)

The BRAZILIAN AMBASSADOR, proposing the toast of "The Chartered Institute of Secretaries," said that the

commercial activity of London brought back to him his studies of the evolution of Great Britain. He recalled reading the chronicles of the early days, full of the great achievements of olden times—of the persistency and spirit of enterprise shown in every branch of the life of the greatest commercial city in the world. The Institute had been created 41 years ago by a group of far-seeing business men of the City, realising the necessity of creating an Institute for the training of young men who would become skilled secretaries to the ever growing number of businesses and municipal and other services. The Institute had been a great asset in the constant march of civilised society towards an ever-increasing perfection of organisation. (Applause.) They could not but admire the marvellous results which had led to its present membership of over 6,800 with an army of registered students totalling over 8,000. The greatest honour possible had been conferred some twenty years ago upon the Institute when His Majesty The King became its patron.

The PRESIDENT, acknowledging the toast, said that not many years ago it was understood in certain types of businesses that the office of secretary should be filled by an individual whose claims rested more on family relationship than upon ability, but the trend of events of recent years had changed all that, and expediency had shown that to fill such offices properly nowadays they needed men and women possessing a sound grasp of business principles and good general knowledge. Those responsible for the Institute recognised that expediency rather than tradition was going to be a permanent factor in the difficult years ahead of them, and that was why they endeavoured to inculcate in the minds of their members the ever-increasing value of personality. A secretary should possess patience, perseverance and tact.

Mr. F. GURDON PALIN (Vice-President) proposed the toast of "The Guests."

Sir ROBERT HORNE, M.P., who replied, referred to the fact that there were present some directors of public companies, including himself. The secretaries, he said, were undoubtedly an astute organisation. It was true that they had, in the generosity of their hearts, desired to entertain them, but there must be something behind that. (Laughter.) The Chartered Secretary evidently had a very acute idea that once those directors had been entertained to a good dinner they would stand and confess—as he was going to stand and confess on behalf of all the chairmen and directors of great companies—that it was an honest fact that, while they presented a great façade to the world and looked imposing, the whole of the business of their companies was done by the secretaries. (Loud laughter.) Theirs were the great ideas; theirs were the bright inspirations, and theirs was the zealous and industrious activity which led the companies of England up the steep pathway of effort to the peaks of prosperity. (Applause.)

ANNUAL MEETING.

The 41st annual general meeting of the Chartered Institute of Secretaries was held at the Hall of the Institute, London Wall, on November 21st, the chair being occupied by the President, Mr. F. R. E. Davis.

In the course of his address, the President referred to the continued growth in membership, and in the number of examination candidates, which, during the year under review, had reached record figures. A very satisfactory increase had also been shown in the number of registered students, which at the time of his address stood at a higher figure than ever before in the history of the Institute.

Reference was also made to the two publications issued during the year under the aegis of the Council of the Institute, namely, the third edition of "Powers of Attorney" and "The Secretarial Primer," a new publication for students, designed to act as a stepping stone to the Institute's official manual, "Secretarial Practice."

Those attending the meeting had an opportunity of seeing for themselves the handsome stained glass window placed in the Hall by the generosity of Mr. Edward Wilshaw, Past President of the Institute. The President said that as that window depicted the Court of the Exchequer of the time of Edward III, it represented a very early incident in the history of the profession of secretary.

The following officers were appointed for the ensuing year:—

President, Mr. F. Gurdon Palin (Secretary of the British Metal Corporation, Limited); Vice-Presidents, Mr. W. G. Hislop and Mr. Hildred Carlisle; Hon. Treasurer, Mr. Howard Foulds.

Report.

The following are extracts from the Report of the Council which was adopted at the meeting:—

MEMBERSHIP.

During the year ended August 31st the net increase in membership was 214. On that date the number on the Roll was 6,859, of whom 2,304 were Fellows and 4,555 were Associates. 352 new members were elected, and seven former members were readmitted. The number whose membership ceased through death or other cause was 145.

EXAMINATIONS.

The results of the examinations were as follows:—

	Candidates.	Passed.
Preliminary	502	298
Intermediate	2,556	1,177
Final	1,240	508
	4,298	1,983

There has been again a gratifying increase of examinees in South Africa, where 612 entered during the year.

UNIVERSITY COURSES.

The classes in Secretarial Practice, established by the Institute in conjunction with University authorities, have been continued throughout the year at Sheffield, Durham (at Armstrong College, Newcastle-upon-Tyne), Edinburgh, and at Toronto and Winnipeg (Manitoba).

SCHOOLS OF COMMERCE.

The experimental arrangement under which a pass in the sessional examination in specified subjects of certain colleges and schools of commerce is recognised in lieu of a pass in the same subjects in the Intermediate examination of the Institute has been extended until June, 1933.

EXAMINATION SYLLABUS.

The Diploma in Economics and the Diploma in Commerce of the University of Sydney, New South Wales, have been added to the list of those qualifications entitling the holder thereof to a pass in four subjects of the seven specified in the Intermediate examination syllabus.

"THE SECRETARY."

With a view to making the contents of the official monthly Journal of the Institute of greater general interest and value, particularly to younger members of the Institute and to students, certain alterations have been made at the suggestion of the Journal and Library Committee.

Northwestern University
The Joseph Schaffner
Library of Commerce

"POWERS OF ATTORNEY."

A third edition of the Institute Manual on the Law and Practice of Powers of Attorney has been issued during the year with the collaboration of Mr. Harry M. Cohen, of Messrs. Linklaters & Paines, the solicitors for the Institute. The manual has been revised and brought up to date and judgments in recent leading cases of importance have been included.

"THE SECRETARIAL PRIMER."

To meet the needs of students requiring a book framed on elementary lines dealing with the first principles of secretarial work, arrangements were made in conjunction with Mr. Herbert Charles Holman, F.C.I.S., of Messrs. W. H. Stentiford & Co., Chartered Secretaries, for the publication of "The Secretarial Primer." The book is designed to meet the needs of students who in the early stages of their reading require grounding in the first principles not provided by the more comprehensive Manual of the Institute, "Secretarial Practice," and is now on sale.

AUTUMN MEETING, 1931.

The Autumn Meeting in London took place in November of last year, and included the fortieth anniversary dinner in Guildhall, when Mr. Edward Wishaw, J.P., President at that time, presided over a large and distinguished gathering, which included the Lord Mayor and the Lady Mayoress.

SESSIONAL MEETINGS.

Sessional meetings were held in London and in the branch centres during the year for the discussion of matters of professional interest. Those in London arranged by the Institute Council were a series of three lectures on "Income Tax" by Mr. J. S. Scrimgeour, O.B.E., Barrister-at-Law, and one on "Staff Organisation" by Mr. F. W. Lawe, M.A.

DISCIPLINE.

On reports from the Disciplinary Committee, the Council has considered six cases in which complaint had been received of unprofessional practice, and has taken appropriate action.

STAFF ASSURANCE BENEFITS.

In pursuance of the authority given at the annual general meeting in 1930, a scheme to provide superannuation assurance benefit has now been formulated by a sub-committee and awaits approval by the General Purposes Committee and by the Council. As the sub-committee's recommendation is unanimous, ratification is probable.

HALL.

Through the generosity of Mr. Edward Wilshaw, J.P., a handsome stained glass window depicting the State Secretariat at the Court of Exchequer in the reign of Edward III has been placed in the hall, and it is desired to place on record the thanks of the members of the Institute to Mr. Wilshaw for his interesting and valuable gift.

BENEVOLENT FUND.

During the year, 65 applications were received, of which 56 were assisted from the fund. This figure compares with 55 cases assisted in the previous year. Periodical allowances were continued in the past year in 28 cases. Periodical allowances were also given in eight further cases, and grants were made in 26 fresh cases.

One boy and two girls, children of deceased members, received educational benefits from the fund, in addition to the two boys and two girls who are receiving the full public school benefits of Christ's Hospital.

The sum expended in periodical allowances, grants, and educational benefits totalled £1,189 13s. 6d. During the year contributions of £1,316 5s. 6d. were received from 2,746 members.

Incorporated Accountants' District Society of North Lancashire.

ANNUAL DINNER.

The annual dinner of the Incorporated Accountants' District Society of North Lancashire was held at the Park Hotel, Preston, on November 2nd.

Alderman JOHN POTTER, J.P., M.P., President of the District Society, presided, and the guests included Councillor T. C. Ramford (Mayor of Preston), Mr. E. Cassleton Elliott, F.S.A.A. (President of the Society of Incorporated Accountants and Auditors), Sir G. H. Etherton (Clerk of the Lancashire County Council), Sir Alfred Howarth (Town Clerk of Preston), Councillor L. Newsome (Mayor of Blackpool), Major E. Read, M.A. (President of the Blackpool, Fleetwood and Hyde Law Society), Councillor W. Proctor (Mayor of Lancaster), the Mayor of Burnley, Mr. D. L. Harbottle (Town Clerk of Blackpool), Mr. R. M. Middleton (Town Clerk of Lancaster), Sir Amos Nelson (President of the Burnley Chamber of Commerce), Mr. E. E. Edwards, LL.B., (Parliamentary Secretary of the Society of Incorporated Accountants and Auditors), Mr. Registrar Worthington (Chancery of Lancashire), Col. H. Parker, D.S.O. (Official Receiver, Preston), Mr. J. Ambler, Mr. W. C. Neville (President, Preston Chamber of Trade), Mr. J. Turner, F.S.A.A., and Mr. H. Piggott, F.S.A.A. (President and Assistant Secretary of the Manchester and District Society), Mr. Alexander Hannah, F.S.A.A. (President of the Liverpool District Society), Mr. H. P. Bee, F.C.A. (President of the Preston Chartered Accountants' Students' Society), and Mr. J. Wareing (Hon. Secretary of the District Society).

The Loyal Toast having been honoured,

Sir GEORGE H. ETHERTON submitted the toast of "The Society of Incorporated Accountants and Auditors." He expressed good wishes for the continued prosperity of the Society with the hope that there would be a continual increase in the ranks of its members. He expressed especial appreciation for the presence at the function of the President of the Society, Mr. E. Cassleton Elliott. At no time in the history of the British Empire had men and women been called upon to face more serious difficulties and problems than those of to-day. A social and economic revolution was taking place, but the stage was so large, the actors so numerous that the real meaning of events was hard to understand. But he thought one factor at least emerged—the call for economy in national, local and individual expenditure. Economy in public expenditure must mean to some extent the throwing out of employment of a certain number of men. Economy connoted sacrifice, and sacrifice involved equality of sacrifice. He did not think the average ratepayer appreciated that there had been, during recent years, a marked decrease in the call upon him. For the last financial year £148,000,000 were raised from the rates—a decrease of some million pounds on the previous year. and a decrease of £18,000,000 upon the financial year of 1928. The man in the street did not appreciate that a poundage rate was no guide whatever to the extravagance or otherwise of local authorities. It was necessary to take into consideration the amount of the rateable value. A clear understanding of the financial relations between the National Exchequer and local authorities was vital to a true solution of the present financial difficulties. He

could conceive of no gentlemen more competent or able to apply their minds to the solution of these problems than those engaged in the honourable and interesting profession of accountancy. Something constructive had to be done to alleviate the serious unemployment in their midst. He had been pondering the practicability of developing in Lancashire a system of land settlement. The scheme he suggested would involve the erection of cottages with three, five, six or perhaps ten acres of land. One certain essential was that the right type of man must be placed on the right type of land. The members of the Society of Incorporated Accountants, with their experience, could do much to assist in the solution of the national and local problems. They had a tradition, an honourable tradition, and a membership, he believed, of some 5,800, and in a year or two they would be celebrating their jubilee. He congratulated them on their past achievements.

Mr. E. CASSLETON ELLIOTT (President of the Society of Incorporated Accountants and Auditors), responding, said Sir George's ideas were constructive, particularly to him as he came from farming stock. Ever since he was a small boy it had been his ambition to have a small holding. A few years ago he was fortunate in being able to obtain a few acres with a house in the middle and to achieve his ambition. He was able to get the assistance of old farm hands. He found there were men among the unemployed who were teachable. There was some hope for the farming community of this country if those men were taught by that wonderful race of people—the old farm labourers. So far as accountants were concerned, they wished Sir George every success. If they could do anything in the way of supplying accurate figures and statistics, their members in Lancashire would be only too pleased to do what they could. It was a privilege to do something of a constructive nature. It appealed to them as accountants. He must make reference to the cotton stoppage. Nothing could be more disastrous at the beginning of the most anxious winter that Lancashire had faced since the war than a forced cessation of work in Lancashire's major industry. The misfortunes of the cotton trade were largely due to the world depression, and sacrifices had been made by both employers and workers. Compromise never secured enthusiastic support at the outset, but it was difficult to think of any industrial dispute which had not terminated in a compromise settlement. It would appear to the non-partisan observer that of the two alternatives, the acceptance of a compromise before hostilities would be preferable to the widespread suffering and misery which a strike must entail, especially at a time when it was very questionable how many of those who now ceased work would ever again find employment inside a cotton mill. The need for well organised conciliation machinery in the industry had long been apparent. It ought to be possible to secure peaceful settlements without resort to the archaic method of strike or lock-out. The Parent Society of the Incorporated Accountants was made up of a number of units. The whole of the country was divided into districts and each district had its District Society. Their District Society had changed its name from North-West Lancashire to North Lancashire following a request from Burnley. Burnley was aggressive—and he said that advisedly—for it formed what was a joy to the committee—a Students' Society. Mr. Broadbent was its secretary and Mr. Ashworth chairman. He had had sent to him a newspaper containing a report of a meeting of the Burnley Chamber of Commerce. Sir Amos Nelson, whom he was glad to see there that night, in his presidential address at that meeting referred to accountancy. He said that the members of the Chamber could not study economic questions as it would take the whole of a man's time. They thought that if their accountancy friends could help them it would be more advantageous. Economics was a very curious subject. On October 17th there appeared in *The Times* a letter from six well known economists, including Sir Josiah Stamp, setting out certain definitions of wise spending. On October 19th there was a reply, sent by four economists, amongst them Professor Gregory, of Manchester University. Sir Josiah Stamp challenged accountants, saying that "they had the knowledge, but did not use it for the benefit of the rates." They had the knowledge, they had the definite facts and figures, and if only the economists would come to them for these facts and figures they could supply them with data which would be useful. He had a lot of information about farming. Accountants had information about certain trades and manufactures, and they were willing, so long as their clients' interests were not prejudiced, to supply any statistical information to the commercial community when they were asked for it. Accountants were to be found in Chambers of Commerce and in municipal work, and he was glad to say they had various county councillors amongst their number. They had had Mayors, Lord Mayors and all kinds of municipal officers who had been engaged in accountancy and if a corporation or a council had an accountant member, he was of very material assistance to the council as a whole.

Sir ALFRED HOWARTH proposed "Our Civic Governors," and paid personal tribute to those councillors and aldermen who gave voluntarily service at great personal sacrifice.

The MAYOR OF BLACKPOOL (Councillor Newsome) responded. He said it was not true that the members of a council were led too much by their officials. The duties of civic governors were increasing and becoming more important every year.

Alderman JOHN POTTER proposed "Our Guests," and thanked the members of the District Society for electing him as President. He considered it a great honour and he would do whatever he could to carry out the duties to their satisfaction. He thanked Sir George Atherton for the suggestions which he threw out to them as a body of accountants. Accountants were not doing their duty from a public point of view. He considered them especially qualified to become representatives of public bodies. They were delighted to see the President of the Parent Society. He felt confident that in their present President they had a gentleman who would worthily emulate the achievements of those who had filled the office in the past. The first thing he had done was to come to Preston and he hoped it would not be the last time he would be their guest.

The MAYOR OF PRESTON (Councillor T. C. Ramford), responding to the toast, said they valued the accountants of the town and their Borough Treasurer, who was a member of the Society.

Major READ also responded.

INCORPORATED ACCOUNTANTS AS MAYORS.

Mr. F. Woolley, J.P., F.S.A.A., has been re-elected Mayor of Southampton for a second year. This is a striking tribute to the success which attended Mr. Woolley's previous year of office.

Alderman C. F. Sanders, J.P., F.S.A.A., senior partner of the firm of William Sanders & Sons, Incorporated Accountants, has been elected Lord Mayor of the City of Cardiff.

BUSINESS REPLY SERVICE AND SAMPLE POST.

The Postmaster-General, Sir Kingsley Wood, in opening the new Head Post Office at Watford, gave some interesting information regarding the Post Office Service. He said the Business Reply Service introduced recently, enabling a person who wishes to obtain a reply from his client to do so without putting him to the expense of paying postage, had proved to be exceedingly popular. No fewer than 3,600 licenses had been issued to various firms, such as coal merchants, motor car agents and insurance companies. A number of limited companies had also used it in connection with the issue of proxy forms.

The Inland Sample Post which was re-established a few months ago had also proved to be of value and use to many traders. Firms distributing cloth and other fabrics, and agents for the sale of various goods were its greatest users. He was also able to say that the service was working smoothly, and there was no evidence of it being abused.

In the last financial year the Post Office dealt with some 6,540,000,000 letters and packets—an increase over the previous twelve months of some 65,000,000. The advertising campaign undertaken by the Post Office for extended use of the telephone had contributed a net increase of 72,000 telephone stations—the largest recorded increase of telephones in any country—whilst the parcels delivered on the "Inland Cash on Delivery" system had risen by 127,000.

THE "STATIST" BANKING NUMBER.

The issue of the *Statist* for November 12th contains the annual International Banking Section, extending to 128 pages, in addition to the normal weekly features. The introductory article, on "Sterling and World Reconstruction," presents a reasoned case for the return of this country, under adequate safeguards, to the gold standard. The writer reviews the experience of the period of over a year which has elapsed since sterling and gold parted company, pointing out that it has justified neither the optimists, who looked to a new sterling standard which would oust gold from its position of pre-eminence, nor the pessimists, who foresaw depreciation ending in collapse of the currency.

While economic conditions in the world of to-day, with its virulent economic nationalism and the problem of war debts, are still inimical to the restoration of a universal standard of value, the writer of the article looks forward to a co-operative financial leadership of the world, to be shared by London with New York and, perhaps, Paris. A resumption of sole leadership by London is considered impossible because it is unlikely that there will be a sufficiently large balance of international payments; but the return of Britain to the gold standard would be of advantage to the whole world, and London might soon be the senior partner in a new co-operative partnership of international finance.

Other articles deal with the functions of the Bank for International Settlements and with the banking situation in the U.S.A., France, Germany, Austria and Hungary, Canada, Australia, New Zealand, South Africa and India.

District Societies of Incorporated Accountants.

LONDON.

A reception and dance took place at Incorporated Accountants' Hall on November 18th, when the President, Mr. Richard A. Witty, and Mrs. Witty, received over 200 members and guests, including Mr. E. Cassleton Elliott (President of the Society of Incorporated Accountants and Auditors) and Mrs. Elliott, Sir Josiah and Lady Stamp, Sir Harold and Lady Bellman, Sir Basil and Lady Mayhew, Mr. and Mrs. Henry Morgan, Mr. and Mrs. Thomas Keens, and Mr. and Mrs. Joseph Stephenson, Mr. H. L. H. Hill, F.C.A., and Mrs. Hill.

The function was one of the most enjoyable held at Incorporated Accountants' Hall.

Members of the District Society are reminded that the second dance will be held on March 31st, 1933.

BIRMINGHAM.

Syllabus of Lectures, 1932-33.

1932.		
Oct.	7th.	"Economics in Real Life," by Mr. C. R. Curtis, B.Sc. *Chairman:* Mr. H. V. Whittaker, A.S.A.A.
Nov.	4th.	"Building Societies," by Mr. F. E. Lumb, F.C.I.S., Chief Accountant Halifax Building Society. *Chairman:* Mr. R. H. Bridgwater, F.S.A.A.
Nov.	11th.	"Machinery and Business," by Mr. W Desborough, O.B.E., General Manager, Power-Samas Accounting Machines, Limited. By invitation of the Birmingham Society of Chartered Accountants.
Dec.	9th.	"Economy in Relation to Public Expenditure," by Mr. H. C. Wallond, F.S.A.A. *Chairman:* Councillor E. W. Salt, M.P. The Institute of Municipal Treasurers and Accountants have been invited to this lecture, which will be held at the Chamber of Commerce.
Dec.	16th.	"Liquidations," by Mr. C. A. Sales, LL.B., F.S.A.A. *Chairman:* Mr. E. K. Bennett, A.S.A.A. This lecture will be held at the Star and Garter Hotel, Wolverhampton.
Dec.	19th.	Supper Dance and Bridge Drive at the Grand Hotel, Colmore Row, Birmingham.
1933.		
Jan.	4th.	"Law of Principal and Agent," by Mr. H. A. Tucker, LL.B. By invitation of the Chartered Institute of Secretaries.
Jan.	24th.	Debate to be arranged by the Students. *Chairman:* Mr. A. P. Bardell, F.S.A.A.
Feb.	10th.	"The Effects of Concessions in Income Tax Practice," by Mr. H. A. R. J. Wilson, F.S.A.A. *Chairman:* Mr. C. N. Rowe, F.S.A.A. This lecture will be held at the Star and Garter Hotel, Wolverhampton.
Feb.	24th.	"Accountants and Investors: Some Stock Market Reforms," by Mr. A. S. Wade, City Editor of the *Evening Standard*. *Chairman:* Mr. T. Keens, F.S.A.A. The Chartered Institute of Secretaries has been invited to this lecture, which will be held at the Chamber of Commerce.
Mar.	1st.	"Companies Act, 1929," by Mr. H. A. Tucker, LL.B. By invitation of the Chartered Institute of Secretaries.

Mar. 10th. "Death Duties," by Mr. S. A. Spofforth, A.S.A.A. *Chairman:* Mr. D. E. Campbell, F.S.A.A.

Mar. 17th. "Banks and Industry," by Professor J. H. Jones, M.A. *Chairman:* Mr. E. T. Kerr, F.S.A.A., the President. This lecture will be held at the Chamber of Commerce. The Chartered Institute of Secretaries, the Birmingham Society of Chartered Accountants and the Institute of Bankers have been invited.

Lectures will commence at 6.30 p.m., and be held at the Society's Room and Library, 126, Colmore Row, Birmingham, unless otherwise notified.

MANCHESTER.

Syllabus of Lectures, 1932-33.

1932.

Oct. 12th. Students' Meeting. General Meeting and Mock Shareholders' Meeting.

Oct. 19th. "Some Economic Fallacies," by Professor Fred Hall, M.A., F.C.I.S. Joint Meeting with Manchester and District Branch of the Chartered Institute of Secretaries, in the Chartered Accountants' Hall, Spring Gardens.

Oct. 25th. Students' Meeting. "Contractual Capacity," by Mr. H. Burton, Barrister-at-Law. *Chairman:* Mr. Fred Hargreaves, F.S.A.A.

Nov. 11th. "Statistics as a Means of Financial Control," by Mr. F. A. Mills, F.C.W.A., District Manager of the British Tabulating Machine Company, Limited.

Nov. 18th. Students' Meeting. "How to study Economics," byMr. E. Lucas, B.Sc. (Econ.). *Chairman:* Mr. Godfrey Craven, F.S.A.A.

Nov. 25th. Students' Meeting. "Revision of November Examination Papers," by Mr. W. Pickles, B.Com., A.C.A., A.S.A.A. *Chairman:* Mr. H. B. Leah, F.S.A.A.

Dec. 2nd. Mock Income Tax Appeal. Joint Meeting with the Manchester Centre of the Association of His Majesty's Inspectors of Taxes.

Dec. 9th. Students' Meeting. Debate.

Dec. 16th. Students' Meeting. "Company Liquidations," by Mr. E. Westby-Nunn, B.A., LL.B. *Chairman:* Mr. Wm. A. Nixon, F.S.A.A.

1933.

Jan. 6th. Students' Meeting. "Death Duties," by Mr. R. Bibby, A.C.A. *Chairman:* Mr. Halvor Piggott, F.S.A.A.

Jan. 13th. "Income Tax Law in relation to Wasting Assets," by Mr. James J. Todd, H.M. Inspector of Taxes.

Jan. 20th. Students' Meeting. "The Etiquette of the Profession," by Mr. Thomas Keens, D.L., F.S.A.A. *Chairman:* Mr. Joseph Turner, F.S.A.A.

Jan. 27th. "Preferential Payments in Bankruptcy," by Mr. R. Kynoch Clark, A.C.A., Official Receiver in Bankruptcy.

Feb. 10th. Subject to be announced later. By Mr. J. Broatch, B.A., Editor of the *Manchester Guardian Commercial.*

Feb. 13th. Annual Dinner at the Midland Hotel.

Feb. 17th. Students' Meeting. "Some Points on Schedule D," by Mr. R. P. Anderson, A.C.A. *Chairman:* Mr. Jas. A. Hulme, F.S.A.A.

Feb. 24th. Students' Meeting. "Introduction to the Study of Income Tax," by Mr. W. S. Newton, A.S.A.A. *Chairman:* Mr. C. E. Rogerson, F.S.A.A.

Mar. 4th. Dance of Members and Students at the College of Technology.

Mar. 10th. Students' Meeting. "The Principles and Some Advantages of Mechanical Accounting," by Mr. G. N. Towers, Burroughs Adding Machine Company, Limited. *Chairman:* Mr. Henry Smith, F.S.A.A.

March 17th. Students' Meeting. General Meeting and Mock Creditors' Meeting.

Mar. 18th. Organised Visit of Members and Students to the Airport of Manchester.

April — Annual Meeting of the Society.

Meetings will be held at 6.15 p.m. in the Sale Room of the Manchester Estate Exchange, 46, Fountain Street, Manchester, unless otherwise indicated.

NEWCASTLE-UPON-TYNE.

Syllabus of Lectures, 1932-33.

1932.

Oct. 20th. "Income Tax," by Mr. W. J. Lofthouse, A.S.A.A., Inspector of Taxes.

Nov. 4th. Dinner, Station Hotel, Newcastle.

Nov. 15th. "Law of Contract," by Mr. R. M. Beckwith, Solicitor.

Nov. 29th. Debate at Middlesbrough with the Middlesbrough Students' Section. *Subject:* "Verification of Stock in Trade."

1933.

Jan. 16th. "Economics in Real Life," by Mr. C. Ralph Coates, B.Sc.(Econ.), F.R.E.S.

Feb. 8th. Debate at Newcastle with the Middlesbrough Students' Section. *Subject:* "Are the duties of an Auditor as laid down by the Companies Act, 1929, adequate?"

Feb. 24th. "Examination Hints on Company Accounts," by Mr. Wilfrid H. Grainger, F.S.A.A.

(MIDDLESBROUGH AND DISTRICT STUDENTS' SECTION.)

Syllabus of Lectures, 1932-33.

1932.

Oct. 19th. "Allowances for Wear and Tear, Obsolescence and Replacements," by Mr. W. J. Lofthouse, A.S.A.A., Inspector of Taxes. *Chairman:* Mr. T. R. G. Rowland, F.S.A.A.

Nov. 1st. "Law of Contract" (Part II), by Mr. R. M. Beckwith, Solicitor. *Chairman:* Mr. C. L. Hamer, F.S.A.A.

Nov. 16th. "The Report on the Industrial Conditions of the North East Coast," by Mr. E. D. McCallum, M.A., Lecturer in Economics, Armstrong College. *Chairman:* Mr. W. H. Stalker, A.S.A.A. (President of the District Society).

Nov. 29th. "Verification of Stock in Trade." Debate with Newcastle Students at Middlesbrough.

Dec. 14th. "Municipal Finance—A Hotchpot," by Mr. R. D. Lambert, F.S.A.A., Borough Treasurer of West Hartlepool. *Chairman:* Mr. R. Sutcliffe, F.S.A.A.

1933.

Jan. 17th. "The Gold Standard," by Mr. C. Ralph Curtis, B.Sc. *Chairman:* Mr. Ellis Hunter, F.C.A.

Jan. 30th. "Rationalisation," by Mr. E. Allan, M.A., Lecturer in Economics, Armstrong College. *Chairman:* Mr. C. Percy Barrowcliff, F.S.A.A.

Feb. 8th. "Are the duties of an Auditor as laid down by the Companies Act, 1929, adequate?" Debate at Newcastle.

Feb. 22nd. "The Services of Accountants in relation to Duties and Liabilities of Executors and Trustees," by Mr. R. C. L. Thomas, F.S.A.A., M.C., T.D. *Chairman:* Mr. T. R. G. Rowland, F.S.A.A.

Mar. 8th. "The Auditor's Report," by Mr. C. L. Hamer, F.S.A.A. *Chairman:* Mr. R. Sutcliffe, F.S.A.A.

Mar. 22nd. Mock Income Tax Appeal.

Meetings will be held at Hinton's Café, Corporation Road, Middlesbrough, at 7 p.m.

SOUTH WALES AND MONMOUTHSHIRE.

(CARDIFF AND DISTRICT STUDENTS' SECTION.)

The meeting held on November 10th took the form of an Internal Debate upon the subject, "That the Politicians of our time are to be congratulated." Mr. K. S. Williams, A.S.A.A., was in the chair, and there was a good attendance of student members.

Mr. R. R. Davies, A.S.A.A., speaking in favour of the proposition, confined himself entirely to the present Government and to a review of the country's position since August, 1931. Reference was made to the McMillan Report, the Imports Duties Act, Disarmament, and the Ottawa Conference. He was ably seconded by Mr. J. T. Jones.

Mr. K. V. Stephens, A.S.A.A., leading for the opposition and not confining himself to the activities of the present Government, submitted a well considered reply. Mr. D. R. Carston, the seconder for the opposition, dealt in a concise manner with most of the points brought out by the leader for the affirmative.

After an interesting discussion, a vote of the meeting resulted in a majority for the proposition. A hearty vote of thanks to the speakers was proposed by Mr. V. F. Alban, A.S.A.A., and seconded by Mr. E. J. Wade.

FOOTBALL MATCH.

On November 9th, 1932, the Cardiff Incorporated Accountants' Students met the South Wales and Monmouthshire Chartered Accountant Students in their annual rugby football match, which took place on the Cardiff Arms Park, kindly lent by the Cardiff Athletic Club. A very vigorous and evenly contested game resulted in a win for the Incorporated Students by 13 points to 6. The scorers for the "Chartered" were Shaddick and Baker, and for the "Incorporated" Kemp and Hopkin (2), Charters converting two of the tries.

SWANSEA AND SOUTH-WEST WALES.

Syllabus of Lectures, 1932-33.

1932.

Oct. 19th. "Executorship Law," by Mr. D. Gethin Williams, LL.B. *Chairman:* Mr. A. E. Goskar, F.S.A.A.

Nov. 16th. "Railway Accounts and the Double Account System," by Mr. Percy H. Walker, F.S.A.A. *Chairman:* Mr. G. Brinley Bowen, F.S.A.A.

Nov. 30th. "Topical Problems in Local Government Finance," by Mr. F. J. Alban, C.B.E., F.S.A.A. Joint meeting with South Wales and Monmouthshire District Society, at Council Chambers, Bridgend.

Dec. 7th. "The London Money Market and Some Aspects of the Gold Standard," by Mr. Alfred E. Pugh, F.S.A.A. *Chairman:* Mr. R. A. Wetherall, F.S.A.A.

Dec. 21st. "The Conversion War and the Future of Interest Rates," by Professor J. H. Jones, M.A. *Chairman:* Mr. C. C. Vivian. Joint meeting with Institute of Bankers at Hotel Metropole, Swansea.

1933.

Jan. 11th. "Company Law," by Mr. C. A. Sales, LL.B., F.S.A.A. *Chairman:* Mr. W. H. Ashmole, M.B.E., F.S.A.A.

Feb. 8th. "The Economics of Costing," by Mr. W. H. Stalker, F.S.A.A. Joint meeting with Institute of Cost and Works Accountants at Hotel Metropole, Swansea.

Mar. 8th. "Bankruptcy Practice," by Mr. A. J. Rogers, Official Receiver in Bankruptcy. *Chairman:* Mr. G. Glanville Mullens, F.S.A.A.

Mar. 29th. Short Papers by Students.

Unless otherwise stated, meetings will be held at the Guildhall, Swansea, commencing at 6.30 p.m.

Dublin Incorporated Accountants' Students' Society.

Syllabus of Lectures, 1932-33.

1932.

Oct. 3rd. "An Introduction to Economics," by Professor G. O'Brien, B.L.

Oct. 24th. Income Tax "Recent Changes," by Mr. C. J. Dalton, A.S.A.A.

Nov. 14th. "Executorship Law and Accounts," by Mr. G. Ellis, A.S.A.A.

Dec. 6th. "Bankruptcy," by Mr. L. W. Jewell.

1933.

Jan. 9th. "Company Law in the Irish Free State," by Mr. W. B. Butler, B.L.

Jan. 20th. Subject to be announced later. By Mr. C. R. R. Magrath, F.C.R.A.

Feb. 13th. "Mock Meeting of Creditors in a Voluntary Liquidation," by Mr. R. L. Reid, A.S.A.A.

Mar. 6th. Debate with Dublin Society of Chartered Accountants (Student Members).

Mar. 27th. Papers by Students.

All meetings will be held at Jury's Hotel, College Green, Dublin, at 6 p.m.

CITY OF LONDON COLLEGE.

Old Students' Association.

The Chairman of the City of London College is desirous that those members of the accountancy profession who in past years have been students of the College should know of the Old Students' Association and its objects, and any inquiries by students of the College will accordingly be welcomed. The aim of the Association is to give to past students the opportunity of renewing old associations and making new ones, and it is pointed out that the roll of old students includes many well known names in every sphere of activity. Communications should be addressed either to the Chairman or to the Honorary Secretaries of the Old Students' Association, at the College.

Personal.

At the recent Municipal election Mr. Godfrey Craven, F.S.A.A., was successful as a candidate for the City Council of Manchester. In a triangular contest he was returned for the Moss Side East Ward, heading the poll with a majority of 370.

Another member of the Society, Mr. J. R. Atkins, F.S.A.A., was successful in securing re-election as a member of the Town Council of Macclesfield.

Mr. Donald Craig, F.S.A.A., was elected a member of the Sheffield City Council. He won the Crookesmoor Ward from the retiring Socialist member.

Mr. Alton Ward, F.S.A.A. (Messrs. W. A. Turner & Co.) was returned for the Clayton District of Bradford with a majority of 778.

QUESTIONS IN PARLIAMENT.

On November 10th, Mr. TOUCHE asked the Chancellor of the Exchequer, if he was aware that as from August 17th, 1932, the Board of Inland Revenue, in granting relief under sect. 34 of the Income Tax Act, 1918, in respect of trading losses, limit the addition for wear and tear to any wear and tear of the year of loss which has not been allowed in the assessment for that year, and no longer allow the addition to trading losses of the amounts of annual interest and charges; and, as these restrictions of the concessions granted under this section increase the burden of taxation on manufacturing industries suffering from trade losses, would he consider reverting to the former procedure which was in operation for several years?

Mr. CHAMBERLAIN: I fear it would not be possible to adopt my Hon. Friend's suggestion. The Board of Inland Revenue have, however, had brought to their notice certain cases in which it is claimed that hardship is involved by the modification of the former procedure. The Board are investigating the matter, and I hope to be able to communicate further with my Hon. Friend at an early date.

COMMITTEE ON LOCAL EXPENDITURE (Scotland).

In July last the Chancellor of the Exchequer issued an invitation to the Association of County Councils in Scotland, the Convention of the Royal Burghs in Scotland, and the Association of the Counties of Cities, to combine in forming a Committee "to consider the whole field of local expenditure and make recommendations at the earliest possible date for securing reductions in such expenditure, whether defrayed from Exchequer grant, rates, or other sources, and whether or not imposed on local authorities as a duty by statute, order or regulation."

A representative Committee of nine members was appointed. The Rt. Hon. Lord Lovat, K.T., D.S.O., &c., was appointed Chairman, with Sir Henry S. Keith, LL.D., J.P., as Vice-Chairman, and Sub-Committees were formed to deal with Education, Roads, Police, Public Assistance, Housing and Public Health. Mr. J. Stewart Seggie, C.A., F.S.A.A. (Chief Accountant, Department of Health, Scotland), was appointed Secretary to the Committee. Mr. J. D. Imrie, M.A., B.Com., F.S.A.A. City Chamberlain, Edinburgh, was co-opted to the Education Sub-Committee.

The Report of the Committee is now issued, and is a unanimous one. It has appended to it twenty appendices giving statistics relative to local expenditure from 1903-04 to 1929-30; local indebtedness at the end of each of these years; public assistance and police expenditure; with various tables and statements relative to education. After dealing with such matters as annual expenditure and its growth, capital indebtedness and commitments for pensions, the introductory chapter concludes with the statement that, "assuming our recommendations are carried into effect, we estimate a yearly saving of £3,383,300, of which £1,394,800 will accrue to the State, and £1,988,300 to ratepayers. What may accrue within the present financial year will depend upon the time at which the proposals are put in force.

"In addition to the savings from the revenue point of view, capital commitments of Local Authorities will, if our recommendations are adopted, be reduced by £2,820,000 per annum.

"If our recommendations are adopted and *adhered to*, expenditure will continue to decrease over a term of years.

"In view of the uncovered liabilities devolving on the State and Local Authorities through existing pension schemes, we consider that the time has arrived (1) *to ascertain what the total pension liabilities are*; and (2) *what steps can be taken to put the pension funds on a sound financial basis.*"

Scotland probably suffers more than England from spendthrift legislation from the fact that Bills are usually drafted for the larger country, and Scottish legislation is as a rule a legislation "by reference." As conditions in Scotland differ widely from those in England, the result is often not only unsatisfactory but expensive.

A further point in this connection is also important. The Secretary of State for Scotland deals in his various roles with Education, Public Health, Public Assistance, Police and Agriculture. The heads of the departments necessarily have a greater control of policy than in England, where each of the principal departments has a Cabinet Minister in charge—as a rule, a popularly elected representative—who is not only more accessible, but also more likely to give due consideration to the opinion of cities, burghs and counties as expressed by their respective associations.

If economy in Local Authority expenditure is not to be a mere panic gesture, but a permanent feature of Scottish administration, it is essential that in preparing legislation affecting Local Authorities' budgets the considered opinion of those Authorities should be asked for, studied, and, when possible, given effect to. *A standing committee representing cities, burghs and counties should be appointed to consider and report on all Bills directly affecting local finance.*

Another factor commented on by the Committee is the action by Departments. The cost of Local Authority administration is shown to have risen from £247,376 in 1913-14, to £695,745 in 1930-31. It is pointed out that a feature of post bellum legislation has been the increase in size of the administrative areas, the centralisation of financial responsibility, and the extension of facilities for full democratic representation by the payment of travelling and other allowances, but, adds the Committee, "the increase in the cost of administration by Local Authorities would not be so alarming if it were accom-

panied by a corresponding reduction in the cost of departments in London and Edinburgh." Since 1918 the number of Education Authorities has been reduced from 947 to 35, but the cost of the Scottish Education Department in London and Edinburgh as well as the cost of inspection shows no reduction. The Committee therefore recommend "that the relations of Government Departments with Local Authorities should be investigated to see (1) to what extent the increased powers and centralisation of responsibility conferred on Local Authorities under the Education Act, 1918, and the Local Government (Scotland) Act, 1929, has led to economy or otherwise, and whether greater economy might not be effected by allowing Local Authorities to exercise their full responsibility under these Acts assigning to Government Departments merely a general supervisory role, especially in regard to finance; (2) how far control is necessary in finance, not only where the State but also where the Local Authority is solely interested; and (3) what steps can be taken to reduce the number of communications, returns, inspections, re-audits, &c., which add so much to the cost of administration at the present time.

The Committee also comment on the preessure put by Departments on Local Authorities to increase expenditure, and refers to the May Report in this connection, concluding that only by a definite change of policy from above will national economy, *i.e.*, economy in rates as well as taxes, be made the objective of every Government Department.

On the subject of Government Grants, the recommendation is in favour of block grants to be given for a term of years, which should be fixed by a review of all the circumstances governing the Local Authorities' expenditure, rather than by a fixed formula. Further, that all grants should be paid to Local Authorities at fixed dates throughout the course of the financial year, so that the Local Authorities can not only know when revenue is coming in, but also make timeous arrangements for short-term borrowing.

In connection with finance, the Committee consider that the present should be regarded as the peak of Local Authority borrowings, and that with the exception of borrowing for capital expenditure and housing, all other borrowing on rating account should be limited during each of the next three years to such a sum as will not exceed the statutory amount of debt repayment or sinking fund instalments payable for the year during which the borrowing is desired.

A special appendix on the subject of "Cost of Living" is given.

The gravity of the position of local taxation in Scotland is referred to, and it is pointed out that the gross expenditure of Local Authorities in Scotland has risen from £13,500,000 in 1903-04 to no less than £56,000,000 in 1930, the latest date for which complete figures are available. These figures are alarming in themselves, but they become all the more significant if we consider:

(1) That the last economy movement which had its outward sign in the Geddes Report was wholly ineffective in checking the increase of local expenditure, even though it flattened the curve of its rise for two years;

(2) That future commitments for pensions are already important, and will shortly become oppressive, and that, unlike pensions in business concerns, are only being met as payments fall due.

It is also pointed out that as a result of the Geddes Committee Report, expenditure in Scotland dropped from £47,000,000 in 1921-22, to £45,000,000 in 1922-23. As early as 1924-25, the recommendations of the Geddes Committee had been forgotten, and expenditure rose to £48,000,000, and in the following years continued its upward movement until it reached £56,000,000 in 1929-30, despite a fall in the cost of living figure from 125.83 in 1921, to 57.83 in 1930.

Capital indebtedness followed the same curve as expenditure. On May 15th, 1922, the capital debt of Local Authorities was £86,286,724. The Geddes Report induced Local Authorities to add only £4,392,616 to the indebtedness in the year ended May 15th, 1924, and for the following year a further £5,914,344. This half-hearted effort at economy died away by the following year, the increase being nearly £8,000,000, while the next year (1927-28) shows £10,500,000 as the addition to the debt. If nothing is done at once to check further borrowing, it is certain that despite the recommendations of the Geddes Committee, the commitments of Local Authorities will be doubled a little over a decade from the time when the Report was made.

A large number of other matters are referred to.

In connection with pensions, the Committee point out that these will steadily rise in amount for the next thirty years, and that increased pension commitments are still being made, and apparently regarded so lightheartedly in one department of administration that no actuarial calculation appears to exist of future liabilities now being created which, in the opinion of the Committee, may amount to one or more million pounds sterling per annum when the peak period is reached.

With regard to teachers' pensions, the Committee point out that they have not been able to get any actuarial estimate of the peak figure for teachers' pensions in Scotland. They were informed that the figure for Scotland had not yet been investigated. The following facts will give some idea of the liabilities of the Government and Local Authorities in this respect:—

"Teachers in Scotland number, at May, 1932, 27,622; the police number 6,626; the average pay of teachers is £283, and of the police £250. The retiring age of the teacher is later than that of the police; as to how far the expectation of life will be affected by the more sheltered nature of the teaching profession (shorter hours and longer holidays, &c.), we do not express an opinion.

Many other matters connected with the finance of Local Authorities in Scotland are dealt with. It is to be hoped that the recommendations in the Report will be dealt with by the Government without undue delay.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Scottish Economy Committee.

The Report of the Committee on Local Expenditure (Scotland) was presented to Parliament towards the end of last month, and the chief points are referred to in another part of this issue. The Report is interesting from the Society's point of view, not only in respect that the Secretary to the Committee was Mr. J. Stewart Seggie, F.S.A.A., Chief Accountant, Department of Health, Edinburgh, President of the Scottish Branch and a member of Council, but for the frank and comprehensive manner in which the various matters are treated.

The Chairman of the Committee was Lord Lovat, and the Vice-Chairman Sir Henry Keith, both well known public men in Scotland. Mr. J. D. Imrie, M.A., B.Com., F.S.A.A., City Chamberlain, Edinburgh, was co-opted as an extra member of the Education Sub-Committee. The Report deals in a most exhaustive manner with practically every aspect of local expenditure in Scotland, and is sure to give rise to considerable discussion, as it touches many aspects that will affect personal interests.

It is also interesting from the Society's point of view that a special reference is made at the end of the Report to the work of the Secretary. The paragraph is as follows :—

"Mr. J. Stewart Seggie, our Secretary, has proved himself an indefatigable worker and a remarkable organiser with a great and comprehensive knowledge of local government finance. Mr. Seggie's assistance has been invaluable to the Committee and we consider it right to put on record our opinion that, without a man of his competence and unswerving devotion to duty, it would have been quite impossible for the Committtee to have faced the task set them in the time allotted."

Municipal Candidates.

So far as we know only two Incorporated Accountants were candidates at the recent election in Scotland. Mr. F. Moffat, F.S.A.A., Falkirk, retained his seat as a member of the Town Council of that burgh, and has been re-elected Honorary Treasurer. Mr. James Paterson, F.S.A.A., Greenock, retained his seat as a member of the Greenock Town Council, after a strenuous fight, resisting an attack by both Labour and Communist candidates. Mr. Paterson was also elected a representative on the Renfrewshire County Council.

Scottish Thrift.

At a conference of Scottish Savings Workers, held recently at Stirling, attended by fully 400 delegates from all parts of Scotland, Sir Alexander H. Knight, K.B.E., chairman of the Scottish Savings Committee, stated that despite the difficult times through which the country was passing, the instinct of the Scottish people for saving remains unimpaired. Comparing the figures of certificate sales in Scotland during five months in 1931 with the corresponding period in 1932, Sir Alexander stated that in the former year the total sales were 2,213,000, and for the succeeding year 2,686,000. He thought that a remarkable figure. In this matter Scotland had gone ahead of England. Taking the United Kingdom figures as a whole, the increase in Scotland was 21.4 per cent., whilst in the United Kingdom the figure was 6.3 per cent.

Trend of Civic Finance.

In a synopsis of the accounts for Edinburgh Corporation for 1932, issued from the City Chamberlain's department, Mr. J. D. Imrie, M.A., F.S.A.A., City Chamberlain, states that, broadly speaking, the year 1931-32 was one of economy. Considerable savings were made in all services in 1931-32, but these were counteracted by a rise in Public Assistance costs and by a decrease in Government grants.

For 1932-33 the trend is in the same direction. Public Assistance costs continue in an ascending scale, while Mr. Imrie expects further economies will be recommended by the Committee on Local Expenditure, which had still to report.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, *e.g.* (1925) 2 K.B. :—

T.L.R., *Times Law Reports* ; *The Times*, *The Times* Newspaper ; L.J., *Law Journal* ; L.J.N., *Law Journal* Newspaper ; L.T., *Law Times* ; L.T.N., *Law Times* Newspaper ; S.J., *Solicitors' Journal* ; W.N., *Weekly Notes* ; S.C., *Session Cases* (*Scotland*) ; S.L.T., *Scots Law Times* ; I.L.T., *Irish Law Times* ; J.P., *Justice of the Peace* (*England*) ; L.G.R., *Knight's Local Government Reports* ; B.& C.R., *Bankruptcy and Company Cases*.

The other abbreviations used in modern reports are H.L., House of Lords ; A.C., Appeal Court (House of Lords and Privy Council) ; C.A., Court of Appeal ; Ch., Chancery Division ; K.B., King's Bench Division ; P., Probate, Divorce and Admiralty Division ; C.S., Court of Session (Scotland) ; J., Mr. Justice (King's Bench or Chancery) ; L.J., Lord Justice ; L.C., Lord Chancellor ; M.R., Master of the Rolls ; N.I., Northern Ireland ; P., President of Probate, Divorce and Admiralty.]

COMPANY LAW.

In re Scientific Poultry Breeders' Association.

The Court confirmed the alteration of the Memorandum of Association of a company so as to enable members of its governing body to receive payment for their services, as the alteration did not involve any change in the main purpose of the company.

(C.A. ; (1932) 49 T.L.R., 4.)

MISCELLANEOUS.

Koch v. Dicks.

Alteration of Bill of Exchange.

Charles (J.) held that an alteration in the name of place of drawing of a complete bill of exchange which has the effect of changing the bill from an inland bill to a foreign bill is a material alteration within sect. 64 of the Bills of Exchange Act, 1882.

(K.B. ; (1932) L.J.N., 108.)

REVENUE.

Neumann v. Inland Revenue Commissioners.

Untaxed Income of Company.

Where a sum is distributed to the shareholders in a company out of the untaxed income of the company, the shareholders are not assessable to surtax upon it.

(K.B. ; (1932) 49 T.L.R., 1.)

Rex v. Special Commissioners of Income Tax.

Premiums of Insurance Policy.

Where under the provisions of a life insurance policy the assured has obtained from the insurance company loans to assist him in payment of the premiums, and where, on the maturity of the policy, the company has deducted the amount of the loans from the sum payable under the policy, the assured is not entitled to claim, for the fiscal year in which the policy matured, a reduction of income tax in respect of the premiums for previous years, since in suffering the deduction the assured was not paying a premium but repaying a debt.

(K.B. ; (1932) 49 T.L.R., 3.)